A Case Study of Cultural Change at Nedbank Group Limited

MBA 2010 Thesis

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PLAGIARISM DECLARATION

1. I know that plagiarism is wrong. Plagiarism is to use another’s work and pretend that it is one’s own.

2. I have used the APA convention for citation and referencing. Each significant contribution to, and quotation in, this study from the works of other people has been accurately attributed, cited and referenced.

3. This study represents my own work.

4. I have not allowed, and will not allow, anyone to copy my work with the intention of passing it off as his or her own work.

Signed:

VRISHEN INDERLALL
ACKNOWLEDGEMENTS

This study is not confidential. It may be used freely by the Graduate School of Business.

I wish to thank the various current and former Nedbank employees who agreed to be interviewed, for their patience, openness, and invaluable contribution to this research.

I further wish to thank my supervisor, Jean-Michel Jaquet, for his invaluable and reassuring guidance, as well as his willingness to give freely of his time at short notice as deadlines loomed and pressure mounted.

Finally, I wish to thank my friends and loved ones for their unwavering support, encouragement and belief – it has meant a tremendous deal to me and helped immensely in pulling me over the finish line.
1. INTRODUCTION

1.1. CONTEXT

Corporate culture, a subset of the broad sociological construct of culture, is most simply defined as the personality of an organisation (Van de Post et al., 1998). Academics have, during the last few decades, increasingly emphasized the importance of culture through claims that directly or indirectly affects organizational financial performance (Denison, 1990; Kotter and Heskett, 1992; Gordon, 1985; Cummings and Worley, 1997), organisational commitment (Benkhoff, 1997, Cartwright and Cooper, 1989), and accountability (Werther, 1988) and ethics (Kouzes, and Schmidt, 1985). Such relationships have even been proven in a South African context by Van de Post et al. (1998) in their study of JSE-listed companies. However there are certain academics, among them Siehl and Martin (1990), who contend that such relationships with culture have failed to be proven in any convincing manner or even that they do not exist. Those proponents of corporate culture concept claim that corporate culture can be manipulated to enhance organisational performance (Kotter, 1998; Simpson and Cacioppe, 2001; O’Connor et al., 1997; Mariotti, 1997). This assertion is challenged by some academics however, and there remain many conflicting academic views on the mutability of corporate culture and the ability to stage interventions to change it. A number of academics also contend that organisational culture is a phenomenon that is far more intricate and complicated to manipulate than organisational culture proponents have indicated (Berg, 1985; Christensen and Kreiner, 1984; Schein, 1985; Schreyogg, 1988; Uttal, 1983). It is within this academic milieu that this study on a specific organisational case of cultural change is grounded.

1.2. PURPOSE

This case study (the “Study”) explores the dynamics of the sociological phenomenon of organisational culture, and more specifically the implementation of a cultural change initiative, within the context of a South African financial services company.

The purpose of the Study is to document and analyse the conception and implementation of the cultural transformation initiative at Nedbank Group Limited (“Nedbank”) between the 2003 and 2007 financial years. This Study examines, analyses, and seeks to understand why Nedbank and its CEO, Tom Boardman, Boardman, decided to implement the cultural change initiative, as well as how the bank engineered and executed the transformation. Essentially
this Study seeks to understand why and how Nedbank implemented the cultural transformation initiative.

1.3. RELEVANCE

As Warren Buffett famously stated, “Only when the tide goes out do you discover who's been swimming naked.” (Buffett and Clark, 2006) Banks reaped great rewards from the global economic cycle upswing that culminated in a peak during 2007 and 2008. During this time, that Bernanke (2005, in Petkovski, 2009) claimed was characterised by corporate greed fuelled by the resultant global savings glut, banks engaged in greater risk-taking and aggressive financial positions as they effectively bet against the possibility of bad times. This was exacerbated by weak regulation of financial institutions due to blind faith in the self-correcting powers of free markets (Bernanke, 2005, in Petkovski, 2009). However, the proverbial tide went out, as the extreme volatility against which banks had been aggressively betting inevitably arrived in the form of the recent global economic recession, and many banks around the world were revealed to have been swimming naked, with inadequate risk management processes having failed to protect themselves from their own cultures of overly aggressive corporate greed and arrogant infallibility. Banks were thus hard hit with swift and dramatic decreases in performance. As such, there is credence to the argument that banks need to re-evaluate their business models, and more fundamentally, their corporate cultures, in order to improve performance sustainably. This Study is therefore relevant in that it aims to investigate an example of a focussed cultural transformation initiative within a banking context, and particularly within a bank whose performance decline closely mirrored the elements of the global financial sector downturn, albeit five years earlier.

1.4. LEARNING OBJECTIVES

This case study is intended to explore the dynamics of the sociological phenomenon of organisational culture, and more specifically the implementation of a cultural change initiative, within the context of a large South African financial services company. Through investigation and documentation of the conception and implementation of the cultural transformation initiative at Nedbank, readers will gain an understanding of why and how Nedbank implemented the cultural transformation initiative. In so doing, it is intended that readers will glean the following key learnings from the case:
- The importance of corporate culture to the manner in which an organisation functions
- The circumstances under which a corporate culture can become detrimental to an organisation’s well-being
- Factors that necessitate a change in an organisation’s culture
- A particular model of successful cultural change detailing the steps required for its achievement
- The various, broad results that can be achieved through a successful change in corporate culture

It is the author’s aim that such learnings will allow readers to identify cultural deficiencies or areas for improvement in their own organisations, and introduce them to some tools and frameworks for use to address these issues.
2. LITERATURE REVIEW

2.1. INTRODUCTION

This chapter seeks to develop the theoretical context within which this research is framed. This is achieved through a review of academic literature relevant to both the broad sociological phenomenon of corporate culture, and the more particular issue pertaining to when and how cultural change should be implemented. As such, this theoretical overview serves to illuminate significant and noteworthy academic findings that, to a large extent, contextualise the events of the case.

2.2. WHAT IS CORPORATE CULTURE

The literature abounds with many definitions of corporate culture, however many academics appear to align to Pheysey’s (1993) view that corporate culture can be seen as a set of shared values, beliefs, meaning, symbols, rituals, practices, and behavioural patterns that has evolved over time, and that forms the core identity of organisations and helps shape employees’ behaviour. It represents the dominant set of values espoused by an organisation that determines how the organization conducts its business, both internally and externally (Deal and Kennedy, 1982). Robbins et al. (1998, p. 56) state that corporate culture is “a system of shared meaning held by members that distinguish the organization from other organizations”. South African academics Van de Post et al. (1998) claim that culture thus imbues an organization with a distinct ‘personality’. Corporate culture is also seen by Jones (1983) to act as a cognitive map that shapes the manner in which the organizational context is defined, as it provides the selection mechanisms, norms, and values by which people enact events. Culture thus serves as a structure and control system that generates behavioural standards. Given the various facets of corporate culture that emerge from the literature, Simpson and Cacioppe (2001, p. 396) perhaps provide the most all-encompassing definition of the function of this phenomenon: “it creates a distinction between one organization and another, it provides a sense of identity for organizational members, it generates a commitment to the larger team or organizational unit and it is the social glue that holds the organization together by providing cues for what employees should say and do.”

Various academics have claimed to identify the ‘structure’ of organisational culture. In defining culture as “the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them norms for behaviour in the organization,”
Deshpandé and Webster (1989, p. 4) alluded to three distinct elements that constituted this sociological phenomenon, namely “values”, “norms”, and “behaviours”. In a similar vein, Schein (1992) identifies three distinct layers of corporate culture, comprising of basic underlying assumptions, espoused values, and artefacts, which he claimed differed by degree of visibility and interpretation. According to Trice and Beyer (1993), artefacts encompass rituals, stories, and language. Schein’s claims regarding visibility are supported by Kotter and Heskett (1992) who posit that culture comprises of visible behaviour patterns and deep shared values. Trice and Beyer (1993), while claiming that corporate culture only comprises of two distinct aspects, namely substance and concrete manifestations, agree with the above two schools of thought in that their conception of culture contains many of the same elements. By their definition, substance refers to such elements as norms and values, while concrete manifestations refer to such elements as behaviours and practices. Schneider et al. (1996) claim that the internal sociological environment of an organisation comprises of organisational climate and organisational culture. According to them, climate refers to the manner in which the organisation conducts its business, while culture refers to the organization’s beliefs and values.

Based on degree of overlap between the above conceptions of the structure of corporate culture, it appears that culture thus consists of four distinct elements: values, norms, behaviours, and artefacts. Kluckhohn (1951b, p. 395), defines values as “a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable which influences the selection from available modes, means, and ends of action.” Katz and Kahn (1978) claim that shared organisational values provide the foundation on which norms are developed, where such norms are more specific than values and serve to validate specific modes of behaviour. As explained above, artefacts are defined by Trice and Beyer (1993) as rituals, stories, and language that are created by an organisation and imbued with strong symbolic meaning (Schein 1992). Hatch (1993) describes behaviours as the behavioural patterns within an organisation.

2.3. DISTINGUISHING BETWEEN VALUES AND CULTURE

As is evidenced above, values are considered to be a significant component of culture. Organisations take great pride in trumpeting their values to the markets in an attempt to depict themselves as anything from good corporate citizens to superiorly different to their competitors. This is not surprising, as values are claimed to contribute significantly to the
success of numerous companies (Mitchell & O’Neal, 1994). The differentiation property of values is supported by Rokeach (1979, p. 51), who described values as "the most distinctive property or defining characteristic of a social institution". Ravlin (1995, p. 598) defines a value as "a person's internalized belief about how he or she should or ought to behave". Academics such as Rokeach (1973) and Jones and Gerard (1967) claim that organisational values are formed as products of a corporate culture. They posit that corporate employees learn, formally and informally, to behave in manners appropriate to their organisational environment. Such values are primarily embedded during an individual’s entry and acclimatisation into the organizational environment.

2.4. HOW CORPORATE CULTURE IS FORMED

Schein’s (1983) posits that the development of a company’s culture depends on the company’s historical development. He views corporate culture as a pattern of basic assumptions invented, discovered, or developed by a group throughout its history during its ongoing process of learning to cope with its issues of external adaption and internal integration. He claimed that these assumptions or values are then perpetuated as they are taught to new organisational members as the correct way to think and feel in the face of such issues. Hampden-Turner (1990) claimed that an organization’s culture developed as it responded to corporate dilemmas. Lee and Yu (2004) claimed that a company’s industry membership influenced (and limited) its unique corporate culture, while Hofstede (1980) proposed that national cultures may influence organisational cultures. Several academics claim that an organisation’s culture is influenced by the various subcultures that exist within it, be it from distinct pockets of employees, professions, and/or functions (Sackmann, 1991; Schein, 1992; Kotter and Heskett, 1992). According to Cartwright and Gale (1995, (p. 13), an organization’s culture is influenced by a range of factors, including: history and ownership; size; technology employed; type of business activity; external environment and product market; and, people, particularly organizational founders and leaders. Schein (1992) claimed further that an organisation’s mission was a vital element of its corporate culture, as it defined the organisation’s purpose and identity.

Schein (1992) and Kotter and Heskett (1992) claim that culture takes its cues from organisational leaders, success, and new members over time. Bechtold, building on the proposition by the above academics, posited that:
Founders and leaders create the culture through the process of implementing their personal beliefs, values, and assumptions about human nature, business strategy, and the environment. Their beliefs and values lead to patterns of behaviour and business strategies that other organizational members learn and adopt. When the strategies and philosophies initiated by the founders bring business success, they become valid and credible to the full organization. (1997, p. 6)

In summary, and based on the various propositions above of how an organisational culture is formed, there appears to be three common elements on which many academics agree: culture is formed (1) over time as employees (2) work together in a group to achieve common goals and (3) succeed at achieving these goals.

In order to fully understand how an organisational culture is formed, however, one needs to also understand how it is that a culture prevails in an organisation. Schein (1992, in Bechtold, 1997, p. 6) claims that “culture is embedded by what leaders pay attention to; their attention communicates their priorities, goals, and assumptions to the full organization.” Culture is further perpetuated by “what is rewarded, what is communicated, and what is done as the organization matures” Schein (1992, in Bechtold, 1997, p. 6). A leader’s philosophies, strategies, and assumptions, when they succeed on a consistent basis, are also adopted by employees in a manner that reinforces this culture (Bechtold, 1997). However, while the above alludes to the sole role of leadership in maintaining a particular culture, Sackman (1991) claims that the entire organization is responsible for embedding and perpetuating a culture, especially through selection, hiring, mentoring, and coaching.

2.5. TYPOLOGIES OF CORPORATE CULTURE

Cultural typologies, which are akin to cultural archetypes, provide an insightful means to distinguish between cultures across organisations.

Harrison (1972, 1987) claimed that four main types of organizational culture existed, namely: power; role; task; and person. In building on the work of Harrison, Charles Handy (1993) characterised the four typologies as follows in Table 1.
Table 1: Handy’s cultural typologies

<table>
<thead>
<tr>
<th>Cultural Typology</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROLE</td>
<td>A highly bureaucratic and hierarchical culture in which power is attributed to individuals on the basis of their position within the organisation. It is a culture that relies on systems, procedures and role definitions for control that has the potential to become inflexible.</td>
</tr>
<tr>
<td>TASK</td>
<td>A task-oriented culture in which group interaction is dictated by the need to solve specific problems, and in which power is attributed to individuals on the basis of expertise with respect to such problems. It is a culture is generally typified by multiple reporting lines and goal clarity, but can foster silo mentality.</td>
</tr>
<tr>
<td>POWER</td>
<td>Power is attributed to a central figure or group, commonly a founder or elite leadership circle, and control emanates from the influence based on relational proximity to these central figures. Such a culture is typified by little bureaucracy, allowing for quick decision-making, but can stifle individual entrepreneurship.</td>
</tr>
<tr>
<td>PERSON</td>
<td>Such a culture emphasises the value of individuality, and the concept of power is related more to individual self-perception in isolation of any group context. This culture places little restriction on individuals, thus allowing operating freedom, but it can be difficult to rally individuals to pursue common goals.</td>
</tr>
</tbody>
</table>

Deshpande and Farley (1999) also identified four typologies of organisational culture that share common themes with Handy’s typologies above, namely: competitive; entrepreneurial; bureaucratic; and, consensual. Their typologies are characterised as follows in Table 2.
**Table 2: Deshpande and Farley’s cultural typologies**

<table>
<thead>
<tr>
<th>Cultural Typology</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPETITIVE</td>
<td>A culture that is extremely goal-oriented, generally with a focus on bottom-line, typified by a desire for challenging tasks and clear targets. It may be prone to silo mentality and low collaboration.</td>
</tr>
<tr>
<td>ENTREPRENEURIAL</td>
<td>A highly flexible culture typified by little bureaucracy, quick decision-making, a risk-taking appetite, and hence a high degree of innovation. It may be prone to poor risk management.</td>
</tr>
<tr>
<td>BUREAUCRATIC</td>
<td>A process-driven culture typified by control through rules, procedures and hierarchical co-ordination. Usually strong corporate governance often comes at the expense of operating flexibility.</td>
</tr>
<tr>
<td>CONSENSUAL</td>
<td>A participative culture that emphasises commitment to people and teamwork. The benefit of such a culture is a high degree of collaboration and group processes; however this can hinder quick decision-making.</td>
</tr>
</tbody>
</table>

In a slightly different vein, and in a more relevant South African context, van der Post & Smit (1998) in their study of 63 JSE-listed companies identified fifteen dimensions, as opposed to typologies, of corporate culture. These dimensions are as follows in Table 3.

**Table 3: van der Post & Smit’s dimensions of corporate culture**

<table>
<thead>
<tr>
<th>Dimensions of corporate culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Conflict resolution</td>
</tr>
<tr>
<td>3. Culture management</td>
</tr>
<tr>
<td>5. Customer orientation</td>
</tr>
<tr>
<td>7. Disposition towards change</td>
</tr>
<tr>
<td>11. Goal clarity</td>
</tr>
<tr>
<td>13. Human resource orientation</td>
</tr>
<tr>
<td>15. Identification with the organisation</td>
</tr>
</tbody>
</table>
Hofstede (1980) in his study of culture across nations found that culture comprises of four dimensions: masculinity/femininity; individualism/collectivism; uncertainty avoidance; and, power distance.

Webster and Deshpande (1990), building on the work of Quinn and McGrath (Quinn 1988; Quinn and McGrath 1985), also describe four typologies of corporate culture defined on the basis of an organisation’s process-orientation and degree of market focus, namely: clan, adhocracy, hierarchy; and, market. The characteristics of these typologies are described in Figure 16.

Reimann and Wiener (1988) defined four cultural typologies on the basis of organisations’ sources and focus of values, namely: entrepreneurial; strategic; chauvinistic; and exclusive. These typologies are pictured in Figure 17.

2.6. STRENGTH OF CORPORATE CULTURE

There are various definitions of cultural strength in the academic literature, but most refer to the degree of alignment between individual values and organisational values.

Peters and Waterman (1982, p. 77) claim that “excellent companies are marked by very strong cultures” and suggest that strength derives from employees subordinating their individual values and norms to the organizational values and norms.

Kluckhohn (1951) suggests that, due to the negative feelings of guilt, shame and self-depreciation that arise within individuals when forced to exhibit value-inconsistent behaviour – that is, behaviour that is not consistent with one’s internalised values – a strong organisational culture is one in which required modes of organisational behaviour do not conflict with employees’ values.

Thompson and Strickland (1999) claim that:

A company’s culture can be strong and cohesive in the sense that the company conducts its business according to a clear and explicit set of principles and values, that management devotes considerable time to communicating these principles and values and explaining how they relate to its business environment, and that the values are shared widely across the company. (p. 338)
Deal and Kennedy (1982) claim that strong cultures are characterised by alignment between employees' objectives and management's objectives. O'Reilly and Chatman, (1996, p. 166) defined a strong culture as "a set of norms and values that are widely shared and strongly held throughout the organization."

Thus based on the definitions above, a strong culture can be summarised as one that is closely aligned to an organisation’s values and objectives.

### 2.7. RELATIONSHIP BETWEEN CORPORATE CULTURE AND PERFORMANCE

Payne (1987) claimed that, by virtue of different corporate cultures’ ability to create differing psychological environments, they serve to influence achievement, commitment and satisfaction at both an individual and organisational level.

#### 2.7.1. FINANCIAL PERFORMANCE

In terms of financial achievement, academics have during the last few decades increasingly claimed that corporate culture directly affects organizational financial performance (Denison, 1990; Kotter and Heskett, 1992; Gordon, 1985; Cummings and Worley, 1997). Deal and Kennedy’s (1982) pioneering research drew attention to the concept of corporate culture and its role in guiding employees’ behaviour towards greater organisational success. Denison (1990) found that certain types of culture could enhance organisational performance – he found that organisations with participative cultures performed better than other cultural types.

Kotter and Heskett (1992) claimed that corporate culture had a significant impact on the long-term economic performance of an organisation, was becoming an increasingly important determinant of the success (or failure) of companies. They found that firms with corporate cultures that emphasized all key stakeholders – customers, shareholders and employees – and leadership from all managers, outperformed organisations without these cultural characteristics by a large margin. They also found that culture is a common inhibitor of long-term economic performance, even in organizations staffed with reasonable and intelligent people. They defined the concept of a high performance culture – one that is strong, adaptive to change, and underpins a business strategy appropriate to the operating environment – as being conducive to competitive outperformance.
In a South African context, Van der Post et al. (1998) also found significant relationships between corporate culture and performance. They analysed the relationship between corporate culture and organisational financial performance in South Africa and found that culture has a positive relationship with the financial performance, and those firms that are more financially successful differ from less successful firms on the basis of certain cultural dimensions. Specifically, they found that companies are likely to be more financially successful if they: develop strategic visions within their corporate culture; review their organisational culture and core values against business strategy; explicitly communicate their corporate culture’s core values to new employees; and, transmit their corporate culture’s core values to all employees.

Sadri and Lees (2001) claimed that a positive corporate culture could contribute to immense organizational benefits, thereby providing a valuable competitive advantage over industry competitors, while a negative culture could negatively impact on performance by inhibiting required organizational change. Kilmann (1985, p. 356) claimed that adaptive cultures emphasizing a “risk-taking, trusting and proactive approach” are associated with financial success.

Rashid et al. (2003) also claimed that corporate culture could have an effect on the success of an organisation in trying to achieve its objectives. They found that corporate culture promoted organisational success when the culture being developed or shaped in the organisation matches the values, attitudes and behaviour of its managers. This concept of alignment is expanded on by Simpson and Cacioppe (2001), who claim that culture can be a liability when shared values are not aligned with the requirements for enhanced organizational effectiveness, in which case, culture inhibits an organisation’s ability to adapt to a changing environment.

2.7.2. ORGANISATIONAL COMMITMENT

Porter et al. (1974, p. 604) define commitment as the “relative strength of an individual’s identification with and involvement in a particular organization,” that includes accepting and supporting the organization’s values. O’Reilly and Chatman (1986) identified three stages of individual commitment to an organisation:

1. Compliance: transactional acceptance of influence to obtain something of value, such as a salary.
2. Identification: acceptance of influence for the maintenance of self-actualising relationships, such as the feeling of pride of belonging to the organisation

3. Internalization: deep acceptance of organisational values on the basis that they are inherently rewarding and aligned to personal values.

Ruck (n.d., in Werther, 1988, p. 31) concisely proposed that “Commitment is personal accountability,” insinuating that increases in accountability result in increases in commitment. Werther (1988) claims that organisational leaders who observe increasing commitment in employees are more willing to loosen control, which he claims is critical for engendering loyalty, as this show of trust and loyalty towards an employee is likely to foster the employee’s sense of loyalty in the leader. As Ruck (n.d., in Werther, 1988, p. 31) proposed, “trust is giving up control,” and trust, Werther (1988) claims, creates a safe environment that fosters the employee loyalty and commitment that characterises great organizations.

Benkhoff (1997) discovered significant correlations between organisational commitment, job satisfaction and staff turnover, suggesting that dissatisfied employees are less committed and thus more likely to physically or emotionally withdraw. Research conducted by Cartwright and Cooper (1989, 1992) suggest that an incongruence between organisational values and individual values – indicative of weak cultures as indicated above – results in a greater employee churn and lower employee satisfaction. Additionally they found that cultures characterised by high bureaucracy and low autonomy are more unsatisfying and stressful for employees.

2.7.3. THE BENEFITS OF STRONG CULTURES

Having defined the concept of ‘strong’ culture as involving value congruence, it appears that such a characteristic can have both positive and negative implications for performance.

Posner, Kouzes, and Schmidt (1985) claimed that strongly shared values are associated with organisational commitment and ethical behaviour. The latter, Kotter and Heskett (1992) claim, results from a higher degree of self regulation by employees by virtue of their alignment to organisational values and norms. This form of informal social control, O’Reilly and Chatman (1996) claim, thus generally trumps more formal control mechanisms in terms of cost and effectiveness. Furthermore, this alignment to organisational values and norms
leads to goal alignment that facilitates coordinated action in the best interests of the firm (Kreps, 1990; Cremer, 1993; Hermalin, 2001). Cremer (1993) therefore asserts that heterogeneity beliefs inside an organization leads to poorer coordination and thus unpredictable performance.

MacMillan (n.d, in McGoldrick, 1984) claimed that strong culture is critical to the success of investment banks.

Denison and Mishra (1995), found a significant association between a firm’s cultural strength and financial performance. Saffold (1988) also claims that strong culture can influence performance, but adds another condition that requires the firm’s culture to also be appropriate to its operating environment. Denison (1984), and in a later follow-up study, Gordon and DiTomaso (1992), both established that culture was predictive of a firm’s short-term financial performance.

However, some academics also contend that a strong culture can stifle performance.

Nemeth (1997) asserted that strong cultures place constraints on the creative and innovative potential of employees by blinding them with immutable corporate ideology. It limits employees’ ability to embrace or generate new ideas, and thus lowers intellectual diversity. It also creates a fertile organisational environment for the development of groupthink, defined by Janis (1972, p. 9) as:

... a quick and easy way to refer to a mode of thinking that people engage when they are deeply involved in a cohesive in-group, when members' strivings for unanimity override their motivation to realistically appraise alternatives of action. (p. 9)

Beinhocker (1997) also claimed that a strong culture can become a bane in times of rapid change, as it limits organisational flexibility. Denison (1984, p. 18) echoed this sentiment by asserting that “the lack of variety ... limits the organization's ability to adapt to changes in the environment.” Ultimately, Weick (1985, p. 385) summarised the danger of strong organisational culture best: "A coherent statement of who we are makes it harder for us to become something else."
2.7.4. THE BENEFITS OF MARKET ORIENTATION

Market orientation refers behaviourally to the speed of market information dissemination and responsiveness (Griffiths and Grover, 1998; Webster, 1993; Kohli and Jaworski, 1990) and culturally to “the organizational culture ... that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business” (Narver and Slater, 1990, p. 21).

Homburg and Pflesser (2000) found that market-orientation had a significant positive effect on financial performance. Furthermore, on the basis of Deshpande, Farley and Webster’s (1993) cultural typologies explained earlier, they found that market cultures are associated with the greatest levels of performance, followed by, in order, the adhocracy clan, and hierarchical cultures.

2.7.5. LIMITING CULTURAL CHARACTERISTICS

Hayes and Hoag (1974) claimed that perceived loss of autonomy or control often motivates employees to leave organisations. Such is the characteristic of power cultures, which Harrison (1972) claims are the most restrictive of his four cultural typologies.

Bureaucracy is also cited by various academic to be a limiting cultural trait. Adler and Borys (1996, p. 63) define the central features of bureaucracy as being “workflow formalization, specialization, and hierarchy.” Weber (1947) defined formalization as the degree of written rules, procedures, and instructions governing employee activities. Gouldner (1954, p.22) viewed bureaucracy as an "administration based on discipline," in which “an individual obeys because the rule of order is felt to be the best known method of realizing some goal.” Various academics claim that the negative impact of bureaucracy generates dissatisfaction, limits creativity, and decreases employee morale. Rousseau (1978) established that the degree of formalization was positively correlated to employee stress, absence, and propensity to leave, and negatively correlated to job satisfaction and innovation. Arches (1991) finding that the degree of formalization was negatively correlated with job satisfaction supported that of Rousseau. Kakabadse (1986) further determined that found the degree of formalization was positively correlated to feelings of self-estrangement and disempowerment. This was supported by Bonjean and Grimes (1970) who found that formalization was associated with alienation and self-estrangement. Walton (1985) concluded that the rules and procedures that
characterise formalisation substitute for employee commitment, as opposed to complementing or encouraging it.

Reimann and Wiener (1988) emphasized the danger of elitism to organisations. They posited that elitist values position superiority of the organisation’s employees or product offering as an end unto itself. Organisations espousing such values, they claim, tend to be internally focussed on organisational characteristics. While elitist values can engender a strong sense of organisational pride by virtue of the comparative nature of the associated credos, they claim that this preoccupation with organizational superiority invariably leads to the creation of a kind of exaggerated corporate patriotism in which emotions supersede rational thinking. They further claimed that an elitist orientation, particularly under charismatic leadership, can breed a couple of dangerous organisational phenomena, namely: navel gazing; and, the ‘bozo syndrome.

Naval gazing occurs when an organisation is so preoccupied with the superiority of its products, people or processes that it fails to recognise external threats. This is often the result of a charismatic leader who becomes so besotted with the success of the organisation that s/he has created that it leads to a sense of infallibility.

The ‘bozo’ syndrome goes beyond naval gazing in that arrogance born of perceived organisational superiority breeds contempt towards the perceived inferiority of those who do not share its values and beliefs. This can lead to underestimation of competitors, ignorance of expert advice, and neglect of customers’ real needs.

Sull (1999) identified another organisational dysfunction, which he termed “active inertia”. He explained it as:

... an organization’s tendency to follow established patterns of behaviour – even in response to dramatic environmental shifts. Stuck in the modes of thinking and working that brought success in the past, market leaders simply accelerate all their tried-and-true activities. In trying to dig themselves out of a hole, they just deepen it. (p. 2)

Culture also has the potential to act as a false and self-deluding sense of psychological safety that is created by the organisation itself to protect itself against uncomfortable internal truths. Carr (2000), in particular, asserts that an organization’s leaders, through various cultural
levers, may satisfy the organisation’s narcissistic needs so well that organisational members unhealthily fail to distinguish between their personal and professional identities. Such a sentiment is echoed by Ogbor (1999, p. 592), who, in summarising various academic findings on the matter, claimed, “Corporate culture, if uncritically examined, remains an ideology, which is socially constructed to reflect and legitimize the power relations of managerial elites within an organization and society at large.”

Touching on many of the limiting cultural characteristics and dysfunctions above, Kotter and Heskett (1992) found that unhealthy cultures were characterised by bureaucracy arrogance, self-interest, and insularity.

**2.7.6. DETRACTORS OF THE CULTURE / PERFORMANCE RESEARCH**

There remain several academics who contend that the link between culture and performance is tenuous at best.

Siehl and Martin (1990) argue that a relationship between culture and performance has failed to be empirically proven convincingly. A number of academics also contend that organisational culture is a phenomenon that is far more intricate and complicated to manipulate than organisational culture proponents have indicated (Berg, 1985; Christensen and Kreiner, 1984; Schein, 1985).

Saffold (1988) cites three shortcomings of research related to this phenomenon:

1. **The Assumption of Unitary Culture** – multiple subcultures are more likely to prevail than a single unitary culture, which is often presented in research relating attributing performance to culture (Van Maanen & Barley, 1984). Due to the difficulty in indentifying the underlying assumptions behind observable manifestations of culture (Schein, 1992), similarity in visible cultural traits that may be interpreted as cultural homogeneity may in fact be based in vastly different subcultures (Siehl, 1984).

2. **The Ambiguity of Strength as a Measure of Culture** – According to Van Maanen and Barley (1984, p. 307), for culture, "meanings are central, not frequencies" and hence attempts to vaguely attribute a measure of strength to this interpretational phenomenon are antithetical.
3. The Use of Inadequate Methodologies – Gregory (1983, p.359) pointed to an inherent subjective weakness of studies on culture in contending that they are largely based on those cultural aspects that were of most interest to the researcher and thus reveal "more about the culture of the researchers than the researched"

2.8. WHEN AND HOW TO CHANGE A CORPORATE CULTURE

2.8.1. WHEN TO CHANGE A CORPORATE CULTURE

Uttal (1983) claims that focussed, far-reaching organizational culture change may be necessary under certain specific situations if:

- the organization’s culture does not suit the changing operating environment;
- the organization’s industry is highly competitive and changes quickly;
- the organization is mediocre or worse;
- the organization is on the verge of becoming a very large firm; or
- the organization is small and growing rapidly.

Kotter (1998) claims that the single biggest catalyst for organizational change tends to be a new manager in a key position. These change leaders are often new division-level managers or a new department heads that enter with fresh perspectives and recognise when the status quo is unacceptable. However, recognising when an organization should change its culture appears to be far easier to do than actually implementing such change. Cummings and Worley (1997) state that while business leaders are often aware that their corporate culture is counterproductive, they seldom know how to change it to a positive empowering culture.

Brown (1995) claims that there are a variety of factors that make culture difficult to change, among which the most significant are a lack of trust in management and between team members, a low willingness of the individuals and the team to change, and a culture that it too strong so as to inhibit cultural adaptation.

2.8.2. HOW TO CHANGE A CORPORATE CULTURE

Nonetheless, models for cultural change implementation are increasingly coming to the fore. Arguably the pre-eminent thought leader on the subject of changing organizational culture, John Kotter (1998), proposed an eight-step model for practically implementing organizational transformation:
1. Establish a Sense of Urgency – this involves examining the market and competitive realities, as well as identifying and discussing existing crises, potential crises, and/or major opportunities
2. Form a Powerful Guiding Coalition – requires the assembly of a group with enough power to lead the change effort, and encouraging the group to work as a team
3. Create a Vision – creation of a vision to help direct the change effort, and development of strategies for achieving that vision
4. Communicate the Vision – the use of every possible channel to communicate the new vision and strategies, and the teaching of new behaviours by the example of the guiding coalition
5. Empower Others to Act on the Vision – getting rid of obstacles to change, changing systems or structures that seriously undermine the vision, and encouraging risk-taking and non-traditional ideas, activities, and actions
6. Plan for and Create Short-Term Wins – planning for visible performance improvements, creating those improvements, and recognizing and rewarding employees involved in the improvements
7. Consolidate Improvements and Produce Still More Change – the use of increased credibility to continue to change systems, structures, and policies that don't fit the vision, as well as the hiring, promotion, and development of employees who can implement the vision, together with a reinvigoration of the process with new projects, themes, and change agents
8. Institutionalize New Approaches – articulation of the connections between the new behaviours and organizational success, as well as improvement of the means to ensure leadership development and succession

Simpson and Cacioppe (2001) also proposed a cultural change action plan that comprised of two key stages in enacting a change to a positive and empowering culture:

1. The first stage is to understand the current organizational vision, strategic objectives, and values, and determine which elements of these cultural contributors are negative and which ones empower individuals to achieve valid and valuable business objectives. This is typically achieved through focussed workshops that promote all-encompassing discourse by involving members of staff at all organizational levels.
Analysing corporate culture in this manner facilitates effective identification of the major negative cultural elements as well as insight into why these elements often do not change.

2. The second stage involves implementing the change process based on Cacioppe’s (1998) model of change that comprises of seven implementation elements, as shown in Figure 18.

The seven elements are not necessarily implemented in time sequence from 1 to 7, and some elements may need to be addressed in parallel with others or be revisited after initially being addressed. If all seven elements are fully addressed then the organization has a very high probability of successful implementation and hence achievement of the desired new culture and performance. However neglecting even just one of these elements may slow and stall the change process resulting in a very limited implementation (Simpson and Cacioppe, 2001).

O’Connor et al. (1997) found 11 common best practices adopted across firms identified as high-performing, through their research on how to build a winning organizational culture:

1. Identify and clearly define our vision, mission, and values
2. Identify the expectations required to achieve what we value
3. Provide a clear road map as the guiding action plan
4. Provide clear, meaningful communications to employees
5. It's our culture, not just management’s!
6. Keep on track by communicating ongoing positive impact
7. If the leaders will model, the others will follow!
8. Aligned performance requires learning new behaviours
9. Strong cultures are built by recognition, reinforcement
10. Take decisive, effective actions to eliminate the negative!
11. There is only one real boss - our organization’s Values!

Mariotti (1997) claimed that the key steps to successfully changing an organization’s culture are:

- Ability to diagnose type of culture, strengths, weaknesses, dysfunctions
- Leadership – hero positioning in charge of change
- Identify threats in the external and internal environment and formulate appropriate strategies
- Make transition rituals pivotal: e.g. employee participation
- Provide transition training in new values and behaviour patterns
- Establish tangible symbols of new directions
- Offer security
- Provide appropriate reward structures

Albert and Silverman (1984) suggest a change management process that adopts Kurt Lewin’s (1951) three-stage plan of unfreezing, changing and re-freezing an organisation’s culture. The process is outlined in Figure 19. According to these two academics:

> Basically, the unfreezing stage involves creating motivation to change; the changing state involves taking action that will change the individuals from their current level of behaviour to a new level; the refreezing stage involves making the new level of behaviour relatively secure against change. (1984, p.23)

Kotter (1998) ultimately states that producing successful cultural change is 80% reliant on effective leadership skills (establishing direction, aligning, motivating, and inspiring people) and only 20% reliant on management skills (planning, budgeting, organizing, and problem solving). This view is supported by Lewis (1992) who claims that a lack of leadership represents an insurmountable barrier to cultural transformation. Sull (1999) recommends that cultural change initiatives be led by “inside-outsiders” – existing organisational leaders from outside the core business who have an understanding and respect of the organisation’s heritage but capable of surveying the company from the point of view of an objective outsider.

Even though theories on how to change organisational culture abound, the measurement of culture change is deemed to be extremely difficult (Lewis, 1996). True cultural change involves a shifting of values, thus many superficial measures of cultural change on the basis of visible behavioural change often fail to take into account that such behavioural changes may not necessarily be indicative of a change in values or culture (Lewis, 1995). Lundberg (1985, p. 179) contends that “a new conception that does not reach the value and assumption levels of cultural meaning is really not true culture change”. Silverzweig and Allen (1976) have suggested a measurement that combines both employee perceptions and organizational performance. Barrett (2010) developed a metric called cultural ‘entropy’ in which cultural
change is measured by the change in alignment between organisational members’ idealised organisational values and the same members’ perceptions of the actual prevailing organisational values. Increasing alignment is indicative of positive cultural change. The findings of Sheridan (1992) also suggest that changes in employee attrition rates may be indicative of cultural change.

2.9. CONCLUSION

Chapter 2 provided the theoretical background to the concept of corporate culture, and the role that it plays in an organisation’s functioning. The chapter also provided an academic perspective on the factors that drive the need for cultural change, as well as the steps that can be taken to successfully implement a cultural change initiative. Finally, the chapter highlighted the impact that a positive corporate culture could have on the various aspects of an organisation’s performance. It is within this academic context that the case study will be framed.
3. RESEARCH METHODOLOGY

3.1. RESEARCH METHODOLOGY

An exploratory case study methodology was adopted in order to best understand the reasons behind Nedbank’s decision to change its corporate culture, and the implementation of said change. Yin (1984, p. 23) defines the case study approach as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”. In this case, Nedbank provides the real life context within which to empirically investigate the contemporary phenomenon of changing a corporate culture. Yin (1994) further claims that a case study methodology is useful when how and why questions are being posed. This study seeks to answer two central questions specific to the Nedbank cultural change case, as posed in the manner suggested by Yin (1994): why did Nedbank decide to implement a cultural change initiative, and how did Nedbank implement the cultural change initiative? In addition, Leedy & Ormrod (2010, p. 108) claim that a case study methodology is “a type of qualitative research in which depth data are gathered relative to a single individual, program, or event, for the purpose of learning more about an unknown or poorly understood situation”. This approach thus most effectively suits the research purpose of investigating the cultural change decision and implementation at Nedbank.

3.2. DATA COLLECTION PROCEDURES

Effective case study research involves posing a research question or decision, as well as providing the necessary data, that will permit the researcher to perform an appropriate and satisfactory analysis to illuminate the issues arising from this decision (Roberts, 2001). This research poses such a decision – Nedbank’s decision to implement a cultural change initiative – and presents the context, protagonists, results and other necessary information with which to gain a satisfactory understanding of this decision. Given that the research questions sought to clarify why and how Nedbank implemented the cultural change initiative, it was determined that the best source of information would be ‘straight from the horse’s mouth’ so to speak; that is, firsthand accounts directly from those current and former Nedbank employees who contributed, or were subject, to the decision and subsequent implementation. This meant interviewing Nedbank employees who participated in the initiative to understand how and why the initiative was pursued. This choice of qualitative
interviews was supported by Rubin and Rubin (1995, p. 1) who stated, “through qualitative interviews you can understand experiences and reconstruct events in which you did not participate”. This choice of primary data collection was supported by Bechtold’s (1997, p. 5) observation that organisational culture comprises of “levels of visible manifestations and essential underlying assumptions. This distinction is important because we need to use the organization’s framework and mental models, not our own, to understand the visible aspects of culture”. By virtue of the exploratory nature of this study, qualitative semi-structured interviews were conducted with past and present Nedbank employees in order to gather the necessary information.

In addition, secondary sources of data were reviewed, the analysis of which allowed for cross-referencing of the primary source data and strengthening of the case study (Yin, 1994), as well as for adding greater richness to the information sourced from individual accounts. Furthermore, a literature review provided the theoretical grounding for the analysis of the case.

### 3.2.1. QUALITATIVE INTERVIEWS

While Yin (1994) claimed that it is important to interview as many stakeholders as possible and Lewis et al. (2003) claimed it necessary to interview staff members at all levels in the organisation in order to avoid bias, the nature of this research topic is such that only a limited number of relevant stakeholders who were influential in determining and administering the cultural change initiative at Nedbank were of value for the purposes of the interview process. The list of interviewees, who agreed to be interviewed on condition of anonymity, is as follows:

- **Interviewee 1** – Head of Strategy in one of Nedbank’s three operating clusters
- **Interviewee 2** – Former Senior Manager at Nedbank
- **Interviewee 3** – Former Executive Assistant to Nedbank Exco member
- **Interviewee 4** – Former Head of Human Resources at Nedbank Capital

As proposed by Lewis et al. (2003) semi-structured interviews were grounded in case-relevant themes. Semi-structured interviews allowed for the flexibility required by the exploratory case study approach to probe responses for deeper insights, with some, albeit little, potential to highlight issues that the researcher may not have considered, but may be significant to the case (Lewis et al., 2003).
Primary interview data was captured through note-taking, tape-recording, transcribing, and, in one case, written electronic correspondence. All but one of the interviews were recorded to reduce the potential for information loss (Aberbach & Rockman, 2002) or misinterpretation (Robson, 2002), particularly during post-interview analysis (Merriam, 1998). As recommended by Lewis et al. (2003), key points emerging from these interviews were summarised in order to highlight areas for further exploration in subsequent interviews. Furthermore, interview transcripts allowed for analysis of common themes and provided quotes for inclusion in the study to enhance its accessibility and engagement. Transcripts of these interviews can be found in the Appendix.

3.2.2. SECONDARY DATA

In addition, secondary sources of data were reviewed, the analysis of which allowed for cross-referencing the primary source data and strengthening the research findings (Yin, 1994). Nedbank has documented its turnaround programme in a report to which I was granted access, and this was a significant source of data, that was arguably more useful than the interviews themselves.

Further secondary data, such as company reports, presentations, financial statements, internal employee surveys, media releases and transcripts of Nedbank representatives’ public addresses and interviews, that were largely available in the public domain, were sourced from the internet. In addition, relevant available data on Nedbank’s JSE-listed competitors – Standard Bank, FNB and Absa – were sourced for comparative purposes, and this was also sourced from the internet due to public disclosure.

Secondary-data is valuable in that it can provide “comparative and contextual data” and may result in “unforeseen discoveries” (Lewis et al., 2003, p. 201). Further, secondary data did not place the time demands on Nedbank stakeholders that the proposed interviews did.

3.3. DATA CREDIBILITY

Patton (2002, p. 14) observed that in qualitative research “the researcher is the instrument”. The reliance on semi-structured interviews as a primary source of data, and the lack of standardisation of these types of interviews, may lead to interviewer or interviewee bias. In fact, researcher bias is claimed to be one of the major shortcomings of the case study research methodology. In this respect, the researcher strived to set aside preconceived ideas gained
from personal experience and/or reviewing the literature so as to overcome interviewer bias as suggested by Leedy & Ormrod (2010).

Harvey et al. (1984) further observed that there were three significant limitations to case study research, namely: access to information; different relevant actors had different values; and, inter-organizational political processes played a role in the nature of information obtained. All of the above present challenges to the credibility of information gathered. This study makes use of source data triangulation as a means to achieve credibility, as suggested in the various research methodology literatures. Triangulation is defined by Scriven (1991, p. 364) as “the attempt to get a fix on a phenomenon or measurement by approaching it via several independent routes”. Patton (1987, p. 161) describes triangulation as “comparing observational data with interview data; it means comparing what people say in public with what they say in private; it means checking the consistency of what people say over time; and it means comparing the perspectives of people with different points of view. It means validating information obtained through interviews by checking program documents and other written evidence that can corroborate what interview respondents report.” As such, triangulation of data enables the researcher to compare a variety of data types and sources collected during the research process so as to achieve consistency.

Triangulation of the data for the purposes of this study was achieved as follows:

- Interviewees’ accounts of the implementation of the cultural change initiative were compared to Nedbank documentation detailing the implementation to check for consistency of interviewee accounts

- Interviewees’ accounts of Nedbank managerial decisions taken as far back as 11 years ago were compared to media reports and official company releases dating back to the time of such decisions to check for consistency of interviewee accounts

- In the absence of securing interviews with former Nedbank CEO, Tom Boardman, and Head of Human Resources, Shirley Zinn, media interviews with these central figures at the heart of the cultural change decision and implementation were sourced to understand their views on the matter.
4. CASE STUDY

4.1. INTRODUCTION

When Tom Boardman formally stepped into his role as CEO of Nedbank in late 2003, he inherited a company that was in dire straits. The company’s Headline Earnings that year were down 98% from 2002, its Return on Equity (ROE) was down 97% from the previous year, and its market capitalisation, which not long ago placed it consistently in the top two banks in the country, declined to the extent that it was firmly entrenched as the lowest of the ‘Big Four’ South African banks, on a downward trend that directly contrasted with its competitors’ upward trajectories. Not only was Nedbank in the quagmire financially, but staff morale was at an all-time low and the bank was haemorrhaging talented employees. It was clear to Boardman that fundamental and far-reaching changes were needed in the way that Nedbank did business if the organization was to motivate and retain its employees, turn its poor performance around, and re-establish itself as a force to be reckoned with in the South African banking industry. Boardman was under no illusions as to how challenging this responsibility would be, but the new CEO had overcome similarly challenging odds during his extensive professional experience, and was confident that had a clear vision as to how best this could be achieved.

4.2. HISTORY OF NEDBANK

Nedbank is a Johannesburg Securities Exchange (JSE) listed bank holding company whose trading history can be traced back to 1831, and whose shares have been listed on the JSE since 1969. Nedbank is South Africa’s fourth largest banking group (as measured by asset value), and is majority-owned (to the tune of approximately 52%) by South Africa’s largest insurance group, Old Mutual. The bank has five distinct business clusters through which it operates, namely: Nedbank Capital; Nedbank Corporate; Nedbank Business Banking; Nedbank Retail; and, Nedbank Wealth. The organization’s scope of business activities is focussed on southern Africa through a client offering that spans a wide range of wholesale and retail banking services, including: business, corporate and retail banking; property finance; investment banking; private banking; foreign exchange; securities trading; private equity; credit card issuing and processing services; custodial services; unit trust administration; insurance; and, wealth and asset management services. Headquartered in Sandton, Johannesburg, and with large operational centres in Cape Town and Durban as well
as significant regional networks both locally and in southern Africa, the organization employs approximately 27,000 employees (as at 31 December 2009).

4.3. NEDBANK’S SUDDEN DECLINE

Nedbank had, up until 2001, enjoyed a period of remarkable success. The company had managed to differentiate itself from rivals on several strategic fronts, much to its competitive advantage at the time. As a financial services provider, the company had successfully positioned itself as an aspirational bank by focussing its product offering on the higher end of the client spectrum, in contrast to its rivals’ more broad-based client approach. The company further differentiated itself by strategically investing in leading technology companies as part of a focussed technology investment strategy that generated extraordinary returns in a period during which technology stocks were booming. In fact, Nedbank’s significant 8.2% stake in London-listed technology group Didata alone, which had been accumulated since the mid-1990s at a cost of R3.4 billion, was worth R7.7 billion in September 2000, equating to approximately 25% of the bank’s primary capital. In addition, the company’s strategy of holding a significant portion of its assets in foreign currency generated favourable exchange gains during a period of sustained Rand weakness.

This period of sustained success, particularly during the 1990s, saw the company consistently positioned among the top two banks in the country by market capitalisation, and its CEO, Richard Laubscher, a 32 year veteran of the bank, 10 of which were as Chief Executive, was hailed as “the poster boy of the banking sector in the Nineties ... the darling of the investment community, and the IT visionary.”

Emboldened by this success, Nedbank embarked on an aggressively acquisitive growth strategy that culminated in a particularly newsworthy flurry of activity in 1999. First, the company acquired law firm Edward, Nathan and Friedland (ENF), which at the time was ranked first in the Ernst & Young mergers and acquisitions survey for advice on 89 deals valued at R99-billion for the significant sum of R400 million.

Next, in what would have been an industry-defining transaction, Nedbank attempted to create by far the country’s largest banking group through an unsolicited bid for rival Standard Bank, which quickly turned hostile after being met with near-incredulity by the Standard Bank

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1 “Not afraid of change” by J. Carr, Financial Mail, 2001
Board. At the time, the two companies were of similar size, with Standard Bank having a market capitalisation of R26.3 billion as compared to Nedbank’s R27.2 billion market capitalisation. However, there were few other similarities given the two banks’ significantly different positioning – Standard Bank had a broad client base, large branch network and high cost structure while Nedbank had a smaller branch network and select client base – and Standard Bank’s Board claimed that the two companies would be incompatible. Ultimately the proposed merger was thwarted by the Minister of Finance’s refusal to approve it on the basis that it was deemed to be anticompetitive.

The bid failure proved to be the first of what Richard Laubscher termed a “sentimental inflection point” – a point at which a highly public adverse event leaves a company’s image tarnished. The next such point occurred in 2000, during which a controversial executive remuneration scheme proposed by Laubscher, and approved by Nedbank’s Board, created a public outcry from institutional investors. The scheme would have made multi-millionaires of 16 executives, including Laubscher, involved in the bank’s technology investment strategy, not from any core banking-related profits, but from the investment surplus value of the company’s stake in Didata, which at the time stood at R3.8 billion. Although the scheme was defended on the basis that it offered these individuals the incentive to ensure that this investment continued to add value, the public outrage stemmed from the fact that the investment was paid for by the company’s shareholders, who carried all the risk of any devaluation while the executives would enjoy the benefit of any gains. The scheme was eventually abandoned due to public pressure, but the damage to Nedbank’s reputation had already been done what was widely perceived to be an act of managerial greed.

Barely had the outrage over the Didata-related executive incentive scheme subsided when Nedbank’s investment in the technology group lost value rapidly as the Dot Com bubble burst in 2001. By July 2001, the bank was close to making a loss on its R3.4 billion Didata investment – in fact, Nedbank’s market capitalisation lost R3.5 billion over the two days after Didata issued a profit warning on 3 July 2001 as market sentiment turned against the bank. Nevertheless, the company failed to act immediately to sell the stake at that stage, despite market expectations to the contrary, and when Nedbank eventually disposed of the investment in October 2003, it did so for less than a third of the R3.4 billion purchase price.

The realisation of an investment loss on the sale of the Didata holding was coupled with significant exchange losses on the bank’s sizeable unhedged foreign currency position in
2003 as the Rand strengthened beyond R7.25 to the Dollar, against expectations. Furthermore, the ENF acquisition was failing to deliver the returns anticipated at the time of purchase, and the business was eventually sold for R50 million, a mere fraction of the R400 million that Nedbank paid for it, as it was not regarded as being part of the bank’s core business. Nedbank shareholders were outraged when it emerged that their funds had been used to pay an exorbitant sum for the law firm without disclosure on who had performed a due diligence or valuation of the target.

Furthermore, Nedbank’s low volume, high margin business strategy no longer proved appropriate, as retail banking began to boom on the back of greater demand from the emerging middle class. As a result, the bank realised that it quickly needed to develop the capacity to take advantage of this growing market, and it thus purchased smaller local bank BoE for a cash consideration of R7.7 billion in 2002 to achieve critical mass in the retail banking space. However, given the strain that the adverse events above had placed on Nedbank’s balance sheet, the company had to go to market to raise R5.15 billion via a rights issue that was mostly taken up by majority shareholder Old Mutual.

Ultimately this spate of poor strategic decisions had seen the organization’s performance decline and its reputation in the market deteriorate in a short space of time. This downward spiral culminated in 2003 annual financial results of Headline Earnings that were down 98% year-on-year (to R55 million), and a Return on Equity (ROE) of only 0.4% (down from 14.9% in 2002), and the company’s market capitalisation declined to the extent that it was the lowest of the ‘Big Four’ South African banks, on a downward trend that directly contrasted with its competitors’ upward trajectories (see Figure 1).

Management credibility was severely damaged by these strategic missteps, most of which were deemed to have been driven by Richard Laubscher’s overwhelming ambition. Laubscher’s seeming infallibility crumbled on the back of a growing feeling that he ran the bank in a manner akin to a one-man band. Ultimately, Nedbank’s poor performance prompted Laubscher to ‘fall on his sword’ and retire, paving the way for the appointment of new CEO, Tom Boardman, in late 2003, whose job it was to lead the organization out of these troubled times.

Warren Clewlow, former Chairman of the bank, nevertheless admitted a few years later that the Nedbank Board should have shouldered some of the blame for the bank’s issues at the
time. He stated, "The mess was blamed on Richard Laubscher, but the board was also accountable."

Interviewee responses certainly pointed to the role of leadership failure in the bank’s decline. Interviewee 1 claimed that management effectively “took a bet against the country” in terms of overinvesting in offshore technology stock, taking significant unhedged foreign currency exposure, and presuming that retail banking would not be strong. He said that the successful track record of making the right bets over a prolonged period of time had emboldened Nedbank’s management and resulted in the onset of the “innovator’s paradox”, whereby management failed to mitigate risks on the basis of a belief that if “you were right in the past, you will be right now”. Sustained success had bred “complacency and overconfidence”, and ultimately led to management not cutting the company’s losses when circumstances turned against it, pointing to a failure to adapt to changing fortunes. Furthermore, he claimed that management failed to accept accountability for the poor strategic options by admitting that they had made a mistake. This was symptomatic of the culture they had created, in his opinion. Ultimately, he summed up the culture of Nedbank under Richard Laubscher in three words, “arrogant, overconfident, and elitist.”

Interviewee 3 shared many of Interviewee 1’s views, claiming that the culture prior to the various failures listed above was “arrogant” and “overconfident” and was characterised by “passing the buck” after said failures as key personnel failed to take responsibility. This lack of accountability was also coupled with a failure to reflect on these failures to understand what exactly went wrong.

Interviewee 2 claimed that Nedbank had lost strategic clarity under the leadership of “strong personalities” who were “very narcissistic”. Nonetheless he claimed that this strength of personality enabled the bank to position itself as a very strong and “exclusive” brand prior to the much-publicised failures.

4.4. THE NEDBANK THAT TOM BOARDMAN INHERITED

Finding himself once more in familiar territory at the helm of an organisation that was at rock bottom, Boardman proceeded to take stock of the company that he had inherited. “The first thing I did was try to understand just how Nedbank had gone from being one of the most

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2 “Some of the old conservatism” by H. Formby, Financial Mail, 2006
highly rated banks into the position that it was in” he said. He was well aware of the poor strategic decisions that had led to the bank’s dire financial performance, but the extent of employee dissatisfaction that he observed profoundly disheartened him.

Staff morale had been battered on several fronts.

As a result of the BoE integration process, during which almost 7,000 new employees were added to Nedbank’s existing staff complement, many employees were forced to reapply for their jobs in order to facilitate the resulting business restructuring in “the spirit of fairness and transparency”. More than 13,640 jobs were internally advertised in 2003, for which over 62,282 job applications were received (see Figure 3).

Furthermore, in an effort to cut costs in the wake of increasingly poor financial performance, Nedbank announced a voluntary retrenchment programme in 2003. The window period for applications remained open until 31 March 2004, at which time 2,371 employees were retrenched, equating to more than 10% of Nedbank’s staff complement at the time.

The result, commented Interviewee 1, was “absolute and abject fear” and “a feeling of deep mistrust” on the part of Nedbank employees as their collective sense of job security was essentially shattered by the company’s leadership, who themselves were perceived to not held accountable for Nedbank’s poor performance. This was a view shared by Interviewee 4, who was of the opinion that employees felt that they were being punished for poor decision-making by management that was beyond their control. Shirley Zinn, Nedbank’s Head of Human Resources, who joined the company in 2005, observed that the retrenchment resulted in “a deep sense of uncertainty and lack of future orientation. There was mourning and grieving, reflecting an organisation in trauma.”

Furthermore, in engaging with employees, Tom discovered that staff had lost a great deal of pride in the organisation as a result of the company’s very public fall from grace and feelings of being failed by management. Tom stated “it did not matter who I spoke to, they all said ‘I used to be proud to work for Nedbank, but now I am embarrassed.’” This was borne out by the bank’s dismal showing in the Deloitte Best Company to Work for Survey, where

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3 “It’s happening” by R. Nyamakanga, Financial Mail, 2008
4 Nedbank Sustainability Report, 2003
5 “It’s happening” by R. Nyamakanga, Financial Mail, 2008
Nedbank went from the top 8% of South African companies in 2001 to the bottom 30% in 2003 (see Figure 4).

Interviewee responses supported the above results. Interviewee 4 claimed that employees had felt unhappiness and confusion over their roles in the bank as their managers failed to adequately define expectations and objectives, particularly when the company had made headlines for all the wrong reasons as a result of the unfavourable outcomes of dealings in matters that were not core to the business of banking (for example, the Didata saga). Interviewee 3 claimed that the series of failures had left staff reeling, with “each person having their own agenda and just trying to survive and it was depressing and disillusioned.

In addition to Boardman’s findings from personal interaction with staff, an internal reputation survey administered to staff shortly after he took up the CEO reigns raised further concerns regarding the state of staff confidence. While the vast majority of staff respondents expressed a sense of commitment to restoring the company’s long term stability, a significantly high proportion indicated that company politics, a blame culture, risk aversion, bureaucracy, silo mentality, a lack of teamwork, a lack of courage, and a lack of accountability prevailed (see Table 5).

**Table 4: Nedbank 2004 internal reputation survey results (% of respondents that agreed)**

<table>
<thead>
<tr>
<th>Commitment to 'Deep Green'</th>
<th>I deeply care about Nedcor's future</th>
<th>82%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I am committed to Nedcor for the long-haul</td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td>We have the institutional capabilities to achieve its strategies</td>
<td>78%</td>
</tr>
<tr>
<td>Lack of courage</td>
<td>Courage to speak the truth</td>
<td>27%</td>
</tr>
<tr>
<td></td>
<td>OK to be yourself</td>
<td>39%</td>
</tr>
<tr>
<td></td>
<td>People openly admit to failures</td>
<td>9%</td>
</tr>
<tr>
<td>Silo mindset/ lack of teamwork</td>
<td>High degree of trust between clusters</td>
<td>13%</td>
</tr>
<tr>
<td></td>
<td>People care for each other</td>
<td>27%</td>
</tr>
<tr>
<td></td>
<td>Nedcor has great team-players</td>
<td>36%</td>
</tr>
<tr>
<td>Risk averseness/ bureaucracy</td>
<td>Look to authority figures for routine decisions</td>
<td>58%</td>
</tr>
<tr>
<td></td>
<td>Better to go along rather than undermine authority</td>
<td>48%</td>
</tr>
<tr>
<td></td>
<td>Too many processes</td>
<td>67%</td>
</tr>
<tr>
<td>Politics/blame culture</td>
<td>Do not need to play political games to get ahead</td>
<td>19%</td>
</tr>
<tr>
<td></td>
<td>Other departments prevent us from operating effectively</td>
<td>47%</td>
</tr>
</tbody>
</table>
A further indication of how far the bank had fallen from an external reputation perspective was provided by the Campbell Belman financial services survey, a bi-annual survey of more than 100 asset managers, investment analysts and media figures who ranked such companies according to a list of criteria that they themselves deemed important. The criteria were grouped under the broad categories of company basics, people, ethics, communications, social relations, and future potential, and such criteria included being reputable, honest and trustworthy, believes in full disclosure, senior management accessible, and having clearly defined objectives and strategy. The results clearly confirmed Nedbank’s fall from grace in the eyes of the public, as it went from occupying tied first place overall and being the top pick of the South African ‘Big Four’ banks during 2000, to lagging its three main rivals by a significant margin as it fell behind 12 other financial services companies a mere three years later (see Figure 5).

4.5. THE DECISION TO CHANGE NEDBANK’S CULTURE

On the basis of his findings, Boardman realised that a number of pressing strategic issues required immediate attention. These issues were as follows:

Table 5: Boardman’s strategic issues

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>● No clear Group strategy resulting in misalignment between units</td>
</tr>
<tr>
<td></td>
<td>● Strategic drift</td>
</tr>
<tr>
<td>Structure</td>
<td>● Complex structure reflective of lack of Group direction and piecemeal fixes</td>
</tr>
<tr>
<td></td>
<td>● Lack of accountability – slow decision making, excessive bureaucracy and complex processes to deal with lack of ownership</td>
</tr>
<tr>
<td></td>
<td>● Mission critical functions unattended (Risk, MIS)</td>
</tr>
</tbody>
</table>
Boardman publicly acknowledged the need for sweeping organisational transformation to address these issues: "In recent years though, it has not met market expectations and significant changes are needed to put Nedcor back on a superior growth path and to restore its premier rating."

As he cycled through the list of pressing issues, however, he noticed that they almost all aligned to themes of concern that had been expressed by employees to explain their low morale in his personal interactions with them. Themes such as poor strategic and role clarity, excessive bureaucracy and hierarchy, a lack of leadership and accountability, and a blame culture were evident in his shortlisted issues, and Boardman realised that in order to overcome them, addressing employee morale had to be the first port of call.

In defence of this stance, Boardman said: "Some people said clients come first. However, the decision to place staff first was deliberate because if you have passionate and committed staff, you will deliver superior service to your clients and if you consistently deliver superior service, you will deliver superior returns to your shareholders."  

He identified culture, which he believed to be the primary differentiating factor of any business, as the most influential factor of staff morale, and hence targeted this element of the organisation as the point of highest leverage. Thus Boardman “committed to making every effort to create a culture in which staff are empowered and enabled to develop and deliver to the very best of their ability.”

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6 “It’s happening” by R. Nyamakanga, Financial Mail, 2008
7 Nedbank Sustainability Report, 2008
4.6. IMPLEMENTING THE CULTURAL CHANGE INITIATIVE

Boardman realised that he could not swiftly and effectively achieve the broad cultural change required without the support and input of all Nedbank employees, and in particular, his management staff. He was a firm believer in the power of participative leadership to compel groups to embrace change, and as such, sought to reach out to all Nedbank employees in order to plot a shared course for cultural change.

DIAGNOSING CULTURAL WEAKNESSES

Boardman realised that in order to fully achieve deep cultural transformation, a greater understanding of the issues driving low staff morale had to be gained. Various bank-wide studies and surveys were thus initiated to comprehensively identify key issues related to the themes of organisational culture, morale, motivation, leadership, accountability, and innovation. To delve more deeply below the surface of such issues, discussion groups were conducted with cross-samples of employees to understand the main inhibitors to achieving their daily business objectives.

During these studies, the issues of a silo mentality, excessive bureaucracy, and politics came strongly to the fore, and a relationship between employee satisfaction and client satisfaction began to take shape on an exploratory basis.

CREATING A VISION

Boardman believed steadfastly that the best companies were vision led and values driven. As such, he, in parallel, personally led a series of workshops with senior Nedbank leadership to brainstorm the company’s strategy, ambitions, key areas of focus, and core values.

Together they engaged in scenario planning to conceive of the possible future states that Nedbank might achieve under varying confidence and market conditions (see Figure 6). It was during this exercise that the definition of one of Nedbank’s most powerful rallying concepts was formed, that of “Deep Green”. The concept described the Nedbank that the organisation’s collective leadership envisioned to work towards:

Nedbank has transformed itself and has delivered top returns for its shareholders.
More importantly for the management team, it has become the most highly rated and respected financial services company as judged by its staff, clients, shareholders,
regulators and the communities in which it operates. It has instituted deep cultural change and is moving forwards as a very strong and confident player in the game. It essentially represented a desired “composite culture, encompassing the vision, and driven by a depth of aspirations, values, and focus areas (‘Deep’), built around the brand imaging of Nedbank (‘Green’). The key elements of the Deep Green Nedbank to which leadership aspired were an emphasis on gaining respect from all Nedbank’s stakeholders but that placed staff first, instilling internal confidence and strength through cultural transformation, and delivering financial returns, the latter of which was subordinated to the first two priorities. The essence of Deep Green was distilled to create the new core vision for Nedbank: “To become Southern Africa’s most highly rated and respected bank…by our staff, clients, shareholders, regulators and communities”

ESTABLISHING A SENSE OF URGENCY

With the creation of the new vision, and based on insights arising from these initial managerial workshops, a roadmap for the proposed cultural transformation initiative was beginning to take shape. In order to give the cultural transformation effort impetus Boardman launched it in early 2004 under the guise of the ‘Journey Back to the Top’ initiative that was positioned as a holistic strategic turnaround initiative to restore the Nedbank business. The initiative was given a relatively short three year planning process in order to provide a sense of urgency, commitment and focus in relation to the cultural transformation effort.

CREATING A POWERFUL GUIDING COALITION

While Tom and his leadership team, through their prominent participation and roles in conceiving of, and guiding, the cultural change initiative, played a significant part in ensuring its implementation, they recognised the need to bring a high level of organisational focus to bear so as to create a greater commitment to effective execution. As such, the Strategic Turnaround Office (STO), a specialised team of 30 strategy and change management experts, was created, whose purpose it was to monitor, assist & provide assurance to achieve Nedbank’s strategic turnaround objectives, including cultural transformation. The STO was mandated to: review cluster aspirations, targets & milestones; raise issues & facilitate

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8 Nedbank Sustainability Report, 2006
9 Nedbank Sustainability Report, 2006
10 Nedbank Sustainability Report, 2006
resolution; evaluate clusters on status of initiatives; ensure initiatives happen; assist & arbitrate in critical cross-cluster decisions; and, empowered to take appropriate action if required.

IDENTIFYING AND CLEARLY DEFINING VALUES

Boardman recognised that in order to promote a the pursuit of common organisational goals and vision, there needed to be a shift in the organisation’s values from the “decentralised” and distinctive values experiences of the various operating clusters to a consistent and unified set of values for the bank as a whole. This need for unity at all levels of the business drove the adoption of four core values that to parent Old Mutual Group – integrity, respect, accountability, and pushing beyond boundaries. The recognition that individual values were also important to achieve a greater degree of values alignment, buy-in and relevance led to consultation with, and voting by, the all employees themselves to establish a fifth uniquely Nedbank value of being people-centred. This served to as the start of making transitional rituals pivotal by including employee participation.

COMMUNICATE THE VISION AND VALUES

The new vision and values were combined with a revised group positioning statement, brand, direction and overall strategy arising from other turnaround initiatives were consolidated into a single all-encompassing symbol of the new Deep Green Nedbank to which the organization aspired, namely, the “Dagwood”, that was designed to communicate the vision, as well as the broad outline for its realisation, in order to focus all organisational effort. (See Figure 7)

EMPOWER OTHERS TO ACT ON THE VISION

In order to institute deep cultural change, it was vital for the new vision and values to be embraced, adopted, and internalised by all employees. The most significant initiative was the ‘Leading for Deep Green’ (LFDG) programme, in which Executive Committee members sought to embed the Deep Green values in executive and senior management through encouragement of employee and team mastery and empowerment. Once ‘graduated’, these leaders were tasked with transmitting the organisational vision and values to their employees by living the values, and encouraging identified desirable behaviour.
GIVE FREQUENT FEEDBACK AND RELATE TO PLANS

Improving transparency was one of Boardman’s top priorities, not only in relation to corporate disclosure, but also (more so) in relation to internal communication, particularly early in the cultural transformation journey. As such, various platforms were used to inform all employees of decisions that would affect morale and confidence.

Boardman personally led regular roadshows with Nedbank employees in various regional offices to keep them abreast of changes and progress. These were broadcast via webcast to all employees on the group’s intranet website, and thus were largely accessible to all employees. The results of such roadshows were extremely successful, as indicated by the survey responses of attendees (see Figure 8) and served to energise employees and improve their morale.

Furthermore, the ‘Talk to Tom’ platform, an online email-type medium through which employees could share concerns and recommendations directly with him, allowed him to have a finger on the pulse of the employees’ psychological climate and respond accordingly. It further aided in improving his accessibility.

Boardman also penned ‘Tom’s diary’, a weekly summary update of the salient highlights of his work (and often personal) experience. This served not only to provide regular business updates, but allowed employees to become familiar with their new CEO, and also served to position the company’s top leadership as accessible, open, honest and candid.

VALUE-BASED LEADERSHIP

New Nedbank director, Reuel Khoza, who wrote ‘Let Africa Lead’, was a big believer in value-based leadership as the highest form of transformative leadership to shape positive change. His philosophy was influential within the Nedbank board, and Tom took it to heart in reorganising his Executive Committee. He chose leaders both embraced the vision and be able to inspire employees in their efforts towards transformation. It was vital for such leaders to visibly model the values that they expected employees to adopt, as this was key to achieving organisational buy-in. Boardman stressed that “the company’s leaders must have a profound commitment to its success. All must be humble people who are prepared to listen to
their staff.” The positioning of leadership ‘heroes’ – charismatic, transformative leaders with the ability to inspire and motivate – at the forefront of this cultural change initiative was crucial to compel organisational members to follow the organisation on its transformation journey.

AGREE ON MEASURES FOR PEOPLE TO TRACK HOW THEY ARE DOING

To measure the degree of cultural change as a function of the alignment between employee’s personal values, current perceived, organizational culture values, and desired organizational culture values, the Barrett Survey was employed. The resulting measure, Cultural Entropy, indicates the degree of organisational culture dysfunction based on a lack of value-congruence. An entropy level below 10% is indicative of a healthy organisation. When the survey was first instituted in 2005, Nedbank had entropy of 25%, pointing to significant problems that required addressing.

The Nedbank Staff Survey was also employed to act as a barometer of staff morale. The survey measures 12 dimensions deemed to contribute to morale, as well as an overall value that represents a composite of all the dimensions. The poor results of the first year of the survey in 2005 are shown in Figure 9.

INCENTIVISE DESIRED MODES OF BEHAVIOUR

Silo behaviour was addressed by encouraging unity through promotion of a group-wide set of shared values. Furthermore the adoption of a new business model that promoted cross-team collaboration to improve client-orientation opened the door for greater information and idea exchange.

The issue of excessive bureaucracy was addressed by placing more emphasis on performance rather than position. This was done by shifting reward structures from a pay-grade basis to a performance basis. Hierarchy was de-emphasized by flattening the management structure from 17 ‘grades’ in 2003 to 5 levels in 2005.

The blame culture was addressed through a greater emphasis on personal accountability. Performance based remuneration coupled with an emphasis on collaboration sought to

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11 “Back from the brink” by W. Ebersohn, Succeed in Business, 2008
sufficiently motivate individual commitment and accountability, but not at the price of excessive internal competition.

**RECOGNISE, CELEBRATE AND PRAISE SUCCESS AND PROGRESS**

After consultation with all staff on desired modes of recognition and rewards, the Top Achievers Award and Top Team Award were instituted in 2003. These awards rewarded individuals for noteworthy performance, in a business context as well as in significant community and capacities, and such individuals were held up publicly, through internal group communications, as models of derived performance to which employees were expected to aspire. Such rewards and recognition occurred both monthly and annually, and thus celebrated quick organisational ‘wins’ while still emphasising the importance of consistent long term performance. This was intended to engender trust that good performance would be rewarded so as to motivate employees to deliver high performance.

Family Fun Days were also held at various offices countrywide, with the intention of communicating the importance that Nedbank placed on family, and giving thanks for their contribution and support to employees and the organisation as a whole.

**4.7. CONCLUSION**

“There is no miracle moment. Incremental wins in a common direction will restore Nedbank to a highly rated & respected financial institution” – Tom Boardman, 2004.

Despite how difficult many academics claim that deep cultural change is to achieve, there is significant evidence indicating that discernable changes had taken place in Nedbank’s corporate culture during this time. Between 2005 and 2008, employees’ perceptions of the Nedbank culture improved by almost 20% to ~75%, as indicated by the Nedbank Staff Survey (see Figure 11). Furthermore, during the same period, the organisation was able to get rid of the limiting values of bureaucracy and silo mentality from the top ten values that employees felt characterised Nedbank’s culture, as measured by the Barrett Survey. This saw cultural entropy improved from 25% (indicative of significant problems requiring attention) to 14% (indicating some problems that required careful monitoring) relative to ideal entropy of less than 10% for healthy functioning organisations (see Figure 13 and 14). In addition, interviewees cited greater collaboration, better internal communication, a renewed sense of pride, and greater trust in leadership as characteristics of the ‘changed’ Nedbank culture.
The period of the cultural change initiative was also marked by a remarkable turnaround in Nedbank’s financial performance. Between 2003 and 2007, Nedbank’s Headline Earnings increased by more than a hundred-fold from a low of R55 million to R5,921 million, and its Return on Equity (ROE) rose by a multiple of 53 from a paltry 0.4% to 21.4% (see Figure 15). It is not unreasonable to infer that Nedbank’s cultural change initiative contributed to this dramatic improvement in the bank’s financial fortunes.

When Tom Boardman finally resigned as CEO of Nedbank in 2010, he did so in a manner that couldn’t have been more different from the premature demise of his predecessor. Under his stewardship, the company rose above one of the direst periods in its history to effect a remarkable turnaround in its corporate culture, employee morale, and financial performance. Ultimately, the cultural transformation initiative at Nedbank was not dissimilar to the many effective cultural change processes recommended by various change management gurus. By Tom Boardman’s own admission, “There is nothing that we have done that you could not pick up from any business management book - the key is in just doing it.”

4.8. CASE EXHIBITS

![Figure 1: Market capitalisations of the ‘Big Four’ banks](image_url)
Figure 2: Nedbank share price history

Figure 3: Nedbank staff headcount
Figure 4: Deloitte Best Company to Work for Survey measuring progress (%)
“AGAINST ALL ODDS”
In a tough banking market, Nedcor has managed to transform itself as well as cut out costs. It is in a better position to seize opportunities out of the reach of other banks that are not prepared or are still adjusting to the negative market conditions. Opportunity exists for mergers and acquisitions provided a cash flow has been built up. This could be a very optimistic scenario for Nedcor.

“MELTDOWN”
Everything goes wrong and the wheels fall off. This is a worse case scenario. With no confidence from its stakeholders, there is no real future left for Nedcor except either for it to be sold in its present form to another bank or to be bailed out by Old Mutual and restructured into a model that is unrecognizable to what it is today. Old Mutual would need “deep pockets”.

“DEEP GREEN”
Nedcor has transformed itself and has delivered top returns for its shareholders. More importantly for the management team it has become the most highly rated and respected financial services company as judged by its staff, clients, shareholders, regulators and the communities in which it operates. It has instituted deep cultural change and is moving forwards as a very strong and confident player in the game.

“STAY OF EXECUTION”
Although the banking market is upbeat with a positive future ahead, Nedcor’s results are “fine but uninspiring”. Transformation has lagged and there are indications of widespread inefficiencies. There is a clean out of management. The future is uncertain and Nedcor’s stakeholders hang on.

Figure 6: Nedbank future scenarios

Figure 7: The “Dagwood”
A Case Study of Cultural Change at Nedbank Group Limited

Effectiveness of the staff roadshow

Figure 8: Effectiveness of the staff roadshow

Figure 9: Nedbank staff survey in 12 dimensions
Respondents asked to use a scale from 1-10 to rate themselves on how happy they felt right now to be part of the Nedcor Group

Figure 10: Nedbank employee happiness survey

Figure 11: Nedbank staff survey
Figure 12: Campbell Belman survey results

Figure 13: Barrett cultural entropy results
Figure 14: Entropy Improvement

Figure 15: Improvement in Business Ratios
5. INSTRUCTOR’S GUIDE

5.1. INTRODUCTION

This case is aimed at business managers and students who are looking to gain insights into the following key themes:

- **The role of corporate culture in organisations** – the case describes how differing states in Nedbank’s culture, as described by employees through interviews and internal surveys, were marked by significant contrasts in organisational performance, commitment and morale.

- **Cultural change management** – the case emphasises that decisions to implement cultural change management initiatives should not be taken lightly, and that the ‘why’ and ‘how’ considerations in such decisions are as important, if not more so, than the desired outcomes.

- **Creating a high-performance culture** – the case outlines, in great detail, the steps that Nedbank followed to effect its cultural turnaround in order to transition from an organisation that produced mediocre performance results to one that improved by more than a hundred-fold on certain financial measures within a few years.

- **Employee recognition and motivation** – the case highlights how broad consultation with all employees can lead to the development of unique recognition and motivation frameworks (both monetary and non-monetary) that would otherwise have not been evident to management had such consultation not taken place.

- **The role of leadership in change management** – although it is often argued that too much credit is given exclusively to CEOs for successes in far-reaching organisational change management initiatives, this case does demonstrate how a charismatic leader who demonstrated a visible commitment to organisational change, in both word and deed, and was willing to listen to employees, secured the organisation-wide buy-in that was necessary for success.

In preparation for this case and the associated assignment questions, it is advised that students read the following recommended academic material, as well as any other prescribed literature on corporate culture and change management that may form part of the course:


The total time that students are expected to take in preparation for the case (revising the recommended material, reading the case, and answering the assignment questions) in advance of the classroom session is two hours.

5.2. CASE SUMMARY

The Study is a Human Resources (HR) related case study that explores a cultural change initiative implemented at a large South African financial services company, Nedbank. The case describes the cultural factors that led to Nedbank becoming a severely underperforming company, as well as the decision process involved in pursuing the implementation of a cultural change initiative and the detailed step-by-step development and execution of said initiative. Finally, the case highlights the results of the initiative upon its completion.

Nedbank is a large JSE-listed banking group with more than 150 years of trading history. The company is South Africa’s fourth largest banking group, and comprises of five distinct business clusters focussing on a wide range of wholesale and retail banking services. The organisation has a significant operational footprint within Southern Africa, with headquarters in Sandton, Johannesburg, and employs approximately 27,000 employees.

Nedbank differentiated itself from rivals through positioning as a higher-end aspirational bank and through significant investment in technology stocks and foreign currency holdings. This strategy was immensely successful, particularly during the 1990s, which saw the company consistently positioned among the top two banks and then-CEO Richard Laubscher hailed as banking’s golden boy. However a spate of poor managerial decisions – a failed bid for larger rival Standard Bank, an executive remuneration scheme that smacked of managerial greed, a failure to divest of sizeable tech exposure in the face of the Dot Com bubble bursting – culminated in the most dire financial performance by the bank in its history, in 2003.
The prevailing culture engendered by management within Nedbank at the time was credited as driving the company’s downward spiral. Years of sustained success were claimed to have made the bank’s management complacent and overconfident, to the extent that they were ill-prepared to adequately respond to the adversity with which they were faced. Employees described the culture as being arrogant and elitist, with a distinct lack of accountability. Richard Laubscher had little choice but to resign in the face of investor outrage, and he left a company that was severely demoralised in the wake of sweeping retrenchments and uncertainty about the future.

When Tom Boardman took up the helm as CEO in 2003, he realised that addressing the dire staff morale was the first port of call in effecting a turnaround in Nedbank’s fortunes. He identified culture as the most influential factor of staff morale, and hence targeted this element of the organisation as the point of highest leverage. Thus Boardman “committed to making every effort to create a culture in which staff are empowered and enabled to develop and deliver to the very best of their ability.”

Boardman and his management team set about designing and implementing a twelve-step cultural change initiative that was intended to achieve a deep positive cultural transformation. The initiative bore several similarities to the models of successful cultural change management suggested by such prominent proponents of the practice as Kotter, in terms of its steps:

1. Diagnosing cultural weaknesses and establishing the need for cultural change
2. Creating a vision
3. Identifying and clearly defining values
4. Establishing a sense of urgency for change
5. Creating a powerful guiding coalition to drive change
6. Communicate the vision and values to all organisational members
7. Value-based leadership
8. Empower others to act on the vision
9. Give frequent feedback and relate to plans
10. Agree on measures for people to track how they are doing
11. Incentivise desired modes of behaviour
12. Recognise, celebrate and praise success and progress
The key, however, to successful implementation was deep commitment by Nedbank’s leadership to achieve the cultural change and realise the vision to which they aspired. And it is difficult to argue against the success of the initiative. On the basis of internal surveys and employee feedback, staff morale and satisfaction improved remarkably from 2003 to 2008. Furthermore, values identified as limiting Nedbank’s culture, such as bureaucracy and silo mentality, were adjudged by employees to have dropped off the top ten values characterising the organisation’s culture. Finally, there was a dramatic improvement in Nedbank’s financial performance, with more than a hundred-fold increase in Headline Earnings in the five years spanning the cultural change initiative.

5.3. LEARNING OBJECTIVES

This case study was intended to explore the dynamics of the sociological phenomenon of organisational culture, and more specifically the implementation of a cultural change initiative, within the context of a large South African business. Through investigation and documentation of the conception and implementation of the cultural transformation initiative at Nedbank, readers will have gained an understanding of why and how Nedbank implemented the cultural transformation initiative. In so doing, it was intended that readers would have gleaned the following key learnings from the case:

- **The importance of corporate culture to the manner in which an organisation functions** – the case illustrates how corporate culture characterises the way in which a company does business and influences the manner in which employees behave to achieve organisational goals. A dysfunctional culture can promote inappropriate modes of behaviour that negatively impact business operations, while a healthy culture can act as the glue that binds employees in harmonious pursuit of organisational success.

- **The circumstances under which a corporate culture can become detrimental to an organisation’s well-being** – the case introduces readers to the “innovator’s paradox”, whereby years of sustained success through a distinctly bold, aggressive strategy bred a culture of complacency, arrogance and elitism that left Nedbank’s management ill-prepared for a turning of the tide. Essentially, belief that if “you were right in the past, you will be right now” led to a failure to adapt to changing fortunes.
• Factors that necessitate a change in an organisation’s culture – The case illustrates that focussed and far-reaching organizational culture change may be necessary if the organization’s culture does not suit the changing operating environment or if the organization is mediocre or worse. Nedbank’s performance was mediocre relative to peers, and its culture was clearly unsuited to the effective decision-making necessary to adapt to the rapid adverse change that it experienced.

• A particular model of successful cultural change detailing the steps required for its achievement – The case presents in detail a twelve-step cultural change framework adopted by Nedbank to effect a turnaround in morale and performance. Though not wholly unique when compared to those suggested by various cultural change proponents, the successful implementation of the framework relies heavily on deep organisational commitment to the achievement of the initiative, particularly at leadership level.

• The various, broad results that can be achieved through a successful change in corporate culture – the case illustrates how a positive cultural transformation can have a beneficial impact on employee morale and satisfaction, organisational commitment, and financial performance, and suggests that in certain cases, operational interventions alone may not be sufficient to improve organisational performance.

It is the author’s aim that such learnings will allow readers to identify cultural deficiencies or areas for improvement in their own organisations, and introduce them to some tools and frameworks for use to address such issues.

5.4. CASE QUESTIONS

In answering the case questions, students are expected to draw on relevant academic theory to support the empirical evidence in the case study. The suggested answers below draw on selected theory relevant to adequately addressing the case questions, however it is expected that answers may vary, particularly given the prevailing contention surrounding the culture/performance proposition.

QUESTION 1: WHY IS CORPORATE CULTURE IMPORTANT TO AN ORGANISATION?
Corporate culture represents the dominant set of values espoused by an organisation that determines how the organization conducts its business, both internally and externally (Deal and Kennedy, 1982). It serves as a structure and control system that generates behavioural standards within an organisation. Simpson and Cacioppe (2001, p. 396) provide the most all-encompassing definition of the function of this phenomenon that emphasises its importance to an organisation: “it creates a distinction between one organization and another, it provides a sense of identity for organizational members, it generates a commitment to the larger team or organizational unit and it is the social glue that holds the organization together by providing cues for what employees should say and do.” Essentially, corporate culture can be seen as the personality of an organisation that characterises the way in which things get done within it. As a result, culture is claimed to play a significant role in the success or failure of organisations. In fact, Mitchell & O’Neal (1994) claimed that values contribute significantly to the success of numerous companies.

Payne (1987) claimed that, by virtue of different corporate cultures’ ability to create differing psychological environments, they serve to influence achievement, commitment and satisfaction at both an individual and organisational level. Deal and Kennedy’s (1982) drew attention to the role of corporate culture in guiding employees’ behaviour towards greater organisational success. Kotter and Heskett (1992) claimed that corporate culture had a significant impact on the long-term economic performance of an organisation, and was becoming an increasingly important determinant of the success (or failure) of companies. Research conducted by Cartwright and Cooper (1989, 1992) suggest that an incongruence between organisational values and individual values – indicative of weak cultures – results in a greater employee churn and lower employee satisfaction.

As such, corporate culture is important to an organisation in that it establishes acceptable models of behaviour within the company, has the potential to create competitive advantage through differentiation of values relative to competitors, influences employee commitment and satisfaction, and plays a role in the organisation’s performance and success.

**QUESTION 2: WHY DID NEDBANK DECIDE TO IMPLEMENT CULTURAL CHANGE?**

Ultimately, many of the issues that led to Nedbank’s financial quandary could be traced back. Interviewees commented on the arrogance and overconfidence that characterised Nedbank’s
leadership during the time, which has been shown by Reimann and Wiener (1988) to result in a failure to respond effectively to rapid adverse change, as was the case with the sudden Didata stock crash. The hostile bid for Standard Bank is also indicative of these academic’s notion of the ‘bozo’ syndrome in which the bank underestimated its competitor as well as market reaction to the bid.

Richard Laubscher was referred to as a strong personality by Interviewee 2, and Interviewee 1 referred to the culture under him as elitist. According to Reimann and Wiener (1988), such an organisation is likely to be too internally focussed to respond adequately to external threats, as evidenced by the unhedged foreign currency position.

Staff morale was extremely low, and as Benkhoff (1997) observed, this is indicative of low organisational commitment that is associated with poor performance.

As Uttal (1983) claimed, focussed and far-reaching organizational culture change may be necessary if the organization’s culture does not suit the changing operating environment or if the organization is mediocre or worse. As is evidenced above, the performance of Nedbank was mediocre relative to peers, and its culture was clearly unsuited to the effective decision-making necessary to adapt to the rapid change that it experienced.

On the basis of the organisational data, interviewee feedback, and academic theory, the decision to implement a cultural change initiative was justified by the root cultural dysfunctions underpinning the poor strategic decisions that resulted in the company’s dire financial performance.

**QUESTION 3: HOW DID NEDBANK IMPLEMENT THE CULTURAL CHANGE INITIATIVE?**

As established in the case, Nedbank sought to change its culture as the basis to turn its staff morale and performance around. There were several elements or steps associated with implementing the cultural transformation initiative at Nedbank. A summary of these steps is as follows:

1. Diagnosing cultural weaknesses and establishing the need for cultural change
2. Creating a vision
3. Identifying and clearly defining values
4. Establishing a sense of urgency for change
5. Creating a powerful guiding coalition to drive change
6. Communicate the vision and values to all organisational members
7. Value-based leadership
8. Empower others to act on the vision
9. Give frequent feedback and relate to plans
10. Agree on measures for people to track how they are doing
11. Incentivise desired modes of behaviour
12. Recognise, celebrate and praise success and progress

The steps above indicate a holistic approach to cultural transformation in which emphasis is placed on aligning all the organisation’s people, processes and practices to the initiative.

In terms of the vision of a Deep Green Nedbank, this emphasized all stakeholders, which Kotter and Heskett (1992) claim is a prerequisite for improved performance.

The inclusion of all employees in determining one of Nedbank’s core values is suggestive of participation that Denison (1990) claimed led to improved performance. This is further intended to be a means to create buy in and acceptance of organisational values, which is characteristic of a strong culture that is widely claimed to result in higher performance and commitment.

The emphasis on clients in the company’s Deep Green vision also indicates a market-orientation that is associated with greater adaptability and performance.

Furthermore, silo mentality, bureaucracy and a lack of accountability have all been asserted to be organisational inhibiting cultural traits by Deshpande and Farley (1999), Rousseau (1978), and Werther (1988).

Essentially, the steps in the implementation of the cultural transformation initiative at Nedbank bear close similarities to the effective cultural change processes recommended by Kotter (1998), Simpson and Cacioppe (2001), O’Connor et al. (1997), and Mariotti (1998), and by Tom Boardman’s own admission, “There is nothing that we have done that you could not pick up from any business management book - the key is in just doing it”.

Kotter (1998) ultimately states that producing successful cultural change is 80% reliant on effective leadership skills (establishing direction, aligning, motivating, and inspiring people) and only 20% reliant on management skills (planning, budgeting, organizing, and problem
solving). It is clear from the evidence presented above that Nedbank’s leadership was deeply committed to achieve the cultural change to realise the Deep Green vision to which they aspired.

QUESTION 4: DOES THE NEDBANK CASE PRESENT SUFFICIENT EVIDENCE TO SUGGEST THAT A CHANGE IN CORPORATE CULTURE CAN BE ENGINEERED?

There remain many conflicting academic views on the mutability of corporate culture and the ability to stage interventions to change it. A number of academics contend that organisational culture is a phenomenon that is far more intricate and complicated to manipulate than organisational culture proponents have indicated (Berg, 1985; Christensen and Kreiner, 1984; Schein, 1985; Schreyogg, 1988). In fact, Uttal (1983) claims that corporate culture cannot be changed. True cultural change involves a shifting of values, thus many superficial measures of cultural change on the basis of visible behavioural change often fail to take into account that such behavioural changes may not necessarily be indicative of a change in values or culture (Lewis, 1995).

Nevertheless, despite how difficult many academics claim that deep cultural change is to achieve, there is compelling evidence to suggest that a significant shifting of Nedbank’s organisational values had taken place during the cultural change initiative, which is cited by Lewis (1995) to be a more accurate indicator of deep cultural change. The organisation was able to get rid of the limiting values of bureaucracy and silo mentality from the top ten values that employees felt characterised Nedbank’s culture, as measured by the Barrett Survey. This saw cultural entropy improved from 25% (indicative of significant problems requiring attention) to 14% (indicating some problems that required careful monitoring) relative to ideal entropy of less than 10% for healthy functioning organisations (see Figure 13 and 14). Furthermore, employees’ perceptions of Nedbank’s corporate culture improved by almost 20% to ~75%, as indicated by the Nedbank Staff Survey (see Figure 11), indicating an internally-perceived positive change. Finally, interviewees cited greater collaboration, better internal communication, a renewed sense of pride, and greater trust in leadership as characteristics of the ‘changed’ Nedbank culture.
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7. APPENDIX

Figure 16: Webster and Deshpande cultural typologies based on Quinn and McGrath
Figure 17: Reimann and Wiene’s cultural typologies

1. Determination and Agreement on the Need to Change
2. Commitment to a Clear Shared Vision
3. Actionable First Steps
4. Capacity and Resources
5. Championing & Modelling the Way
6. Aligning, Rewarding & Reinforcing
7. Monitoring, Evaluating & Improving

Figure 18: Cacioppe’s model of change
Figure 19: Albert and Silverman's change management process based on the three-stage plan of Kurt Lewin

Figure 20: O'Reilly's norm development model
INTERVIEW 1

TS – NEDBANK DIVISIONAL HEAD OF STRATEGY

INTERVIEWEE: In culture and performance.
INTERVIEWER: So see if it picks up the...
INTERVIEWEE: That’s fine. Look, I can give you some general...
INTERVIEWER: Right.
INTERVIEWEE: Right. Relationships in culture and performance have been around for 30 years.
INTERVIEWER: Yes.
INTERVIEWEE: Not — probably not more than that, right, so no one ever thought culture affected performance before. Now, with us certainly... Now I can put a Nedbank hat on, a Nedbank hat.
INTERVIEWER: Yes, no, sure.
INTERVIEWEE: All of the time is... One of the things when Ned — just, I'm going to waffle about some history...
INTERVIEWER: No, that’s fine.

INTERVIEWEE: Right. So what happened with Ned a couple of years ago is they obviously took a smack in performance. I think the smack was almost three things and that one of it is, we had IT investments that went sour and we had money off-shore and the Rand turned against us, and we took a bet on retail not to be the strong one. Right, we basically took a bet against the country.

INTERVIEWER: Yes.

INTERVIEWEE: If you have to look at it that way, we took a bet against the country.

INTERVIEWER: Yes.

INTERVIEWEE: Right, and its economy. So what happened is, like with many things, you take many strategic bets, some pay off, some don’t. You take three or four prongs on it and one may not work. In this case all three things happened at once. The Rand went against us, the IT investments went sour, plus retail started [01:22], and this in the midst of an economic boom, so we got the smack on all sides. And the interesting thing is, before that the Rand was with us, we made the right bet, retail was bad when we made the right bet and IT investments did fantastically for us. So we made the right bets over a fairly long period of time. The only thing we didn’t do, silly, was that we didn’t cut our losses when things went against us. So let me just talk about one thing and which is indicative of this, so it’s historic. [01:58] did fantastically for Nedbank and it was on the up. Theoretically, when it was on the up we should have done one of two things; we should have either sold if we could have, but, and that wasn’t very clear. Secondly, we could have hedged against it so that even if it takes a drop we wouldn’t take a drop as much as possible. Now, why didn’t we sell, why didn’t we hedge, is almost the heart of this question, because it’s the same with the [02:27] option.

INTERVIEWER: Yes.

INTERVIEWEE: And one of the things is there’s something called, you might have studied in [02:32], which is the strategist’s or the innovative paradox. And the paradox is very simple, it’s to be the winner you have to take a big bet, and so winners take big bets and losers take big bets, you just don’t know which one it’s going to be. But if you know things are not going down your way, a strategy or a bet, you must be able to come out of it or mitigate its effect.
INTERVIEWER: Yes.

INTERVIEWEE: If you don’t, now in it, there’s something inherent, you either think that you know something that no one else knows, but for two, a lot of the same thing is you believe that because you took – you were right in the past, you will be right now.

INTERVIEWER: Yes.

INTERVIEWEE: But, you see there — and no answers are the same thing.

INTERVIEWER: Yes.

INTERVIEWEE: Now, what makes you that way? What makes you think that you know better or you’ve always been right? Is, sometimes it’s your past history, but we’ve all been right, but and therefore the market’s got to drop, we’re right, and you believe that because you have confidence to believe that. And after a while you realise that that’s just the way you do things. Is you make a bet and you’ve always been right, 15 years of always been right, which is, for example [03:46]. He was fantastic and so were lots of other people, so everything Nedbank did was right. Like Google, is an example right now, I mean, they can do no wrong, everything they do is fantastic. What happens then if it breeds a few things? One it breeds complacency and breeds over confidence.

INTERVIEWER: Yes, and arrogance.

INTERVIEWEE: And it manifests itself in arrogance, like, you can be over-confident but you need not be arrogant.

INTERVIEWER: Yes.

INTERVIEWEE: But you can be brash and over-confident, but you need not be arrogant, and I always make the analogy of certain football teams or any kind of football team. Some of the guys winning five years in a row you wouldn’t — you could not accuse Arsenal of being arrogant when they were fantastically successful, because it’s just not their way.

INTERVIEWER: Yes.

INTERVIEWEE: But, they were arrogant when they weren’t successful, but that’s just the way they do things, I mean, and they are successful so they’re as good as they could be, which is great. And so, what I’m pointing out is, that leads to a certain kind of culture, right,
and that is a culture of not admitting you’ve made a mistake, not admitting that you’re going to have to do something and put your hands up and say, “Maybe I was wrong, maybe I have to do something”, because if you haven’t done it before, you won’t do it now, and that’s what we’ve inherited at Nedbank.

INTERVIEWER: Yes.

INTERVIEWEE: So I’m telling the story to tell you that you cannot divorce a change in culture without knowing where the culture was.

INTERVIEWER: Yes.

INTERVIEWEE: And what happens there is, if you’ve got – and by the way, culture is set largely by the tone of the people at the top, it’s management, there’s no doubt, but removing the management doesn’t remove the culture, and that’s the whole point. Moving the Titanic, the – you can kick the captain off the Titanic when his going into the iceberg, because he wasn’t [05:37]. No matter who you put in front there, that ship is going to hit the iceberg, it just might hit it on the other side, but it will hit the iceberg.

INTERVIEWER: Yes.

INTERVIEWEE: And so you can’t move a culture without changing all the people, and that’s almost impossible to do, changing all the people. So I give you an anecdote, Absa Capital is a formidable competitor and four years ago it didn’t exist.

INTERVIEWER: Yes.

INTERVIEWEE: But if I have my numbers right, they got rid of 72% of the original staff, so they changed the culture very simply. They just changed all the people. They just, kind of, kept the people that they like and they changed absolutely everyone else. That is the – what’s the word I use? It’s the slash and burn model.

INTERVIEWER: Yes.

INTERVIEWEE: I’m not criticising it, I’m just saying that that’s what they did. And you something, if they want to start competing quickly that’s the only way to do it.

INTERVIEWER: That’s the way to do it, yes.
INTERVIEWEE: Right, and I’m a component of it in certain respects, that’s why I tell you [06:32]. Now, Tom, when he had taken over... Sorry, I’m just assuming this is, kind of, what you want to hear.

INTERVIEWER: No, yes, yes, [06:39].

INTERVIEWEE: And I’m going to answer a few of these questions all at once.

INTERVIEWER: Yes, that’s all right, yes.

INTERVIEWEE: You’re going to have to grab it out of me.

INTERVIEWER: I’m sorry, do you want to..?

INTERVIEWEE: Just check if it’s recording.

INTERVIEWEE: So the question now is, let me try and answer these things at the end, because I will rather tell it in a story. When Tommy came along, when he had this turnaround, he had a few points to do. The data that you are speaking about, you will find it on the website.

INTERVIEWER: It’s fantastically documented.

INTERVIEWEE: So you don’t have any problem with that. The data is not an issue. One of the things you will see in there is the new executive team and that plays to what Tom had in mind, is that you got to change the culture. All he wanted to do, a few things, which are not in the turnaround plan, but it may have been in there, and that is that you got to change the top management, because he realised that if you want to change culture you can’t have pockets of people. You don’t need to change everyone. There may have been respective people in there who could not work within the old frame and they just kind of loved it when Tom came around or when new management came around. The second thing was to give pride to people. The other thing was that he reckoned that they won’t change that business, but to change the culture. So he put it immediately that if they changed the way we do stuff, we will win. There are many implications there. One is he clearly felt that the way we did stuff before, won’t make us win and what was the structure before he turned up. Arrogant, over-confident, elited. Some of it is not culture and some of it is, but an arrogant culture is a culture. An elitious culture is a culture too to a large extent. We are one up on everyone. The problem with that is, and I’ll give an analogy about racist people, white racist people.
White racist people feel that they are inherently superior to black people. Even though they might be tripping a street and a parking attendant comes up evidently, because inherently, and that’s what I think, irrespective of the station that they are in. Now the danger in that is that Nedbank, even though it was in the dole dungeons, nearly bankrupt with five billion rand, if you still believe that you are better than anyone else then you are a very dangerous person to have around. They did other things. They got rid of Old Mutual. That was not from a culture point of view. That was from a cost point of view.

INTERVIEWER: So that had nothing to do with the turnaround?

INTERVIEWEE: That had to do with the financial turnaround.

INTERVIEWER: The idea was that if you change the culture, the financial performance would increase.

INTERVIEWEE: Correct, but they didn’t get enough people to change the culture. They changed a couple of execs but they didn’t change a whole lot of people to change the culture. They changed the management because it was a cost reduction and a duplication exercise. I had some long conversations with some friends and family of mine who was really reasonably well off and now they are destitute. Literally almost destitute. Kind of phoning around to family to help them out and for money and the like. To some people it is humbling. There is another person who has a very big house, one thousand five hundred square metre land and what not, lost their job, they can’t make the income and refuse to sell their house. The culture that is in play there becomes a barrier to the change you are going to make. Fundamental to the turnaround. You still get people that say: “They are all Nedbankers.”, but still they are rejecting credit because he is black.

INTERVIEWER: I still do that actually.

INTERVIEWEE: You see what I am saying? There is probably a grain of truth, but not a lot of truth in it, because there is a lot of oversight on that. When you need a turnaround, you don’t change from one culture to another. You actually have a transitional culture. Once you start from one culture and you want to go to another one sometimes there is a transition period. It is hard to say whether it is an aspect of the culture, when it is that everyone will go through it. First, you are the bee’s knees etc. The second thing is that when you want to make these changes some of the reality that kicks in to people. So what you had in that
turnaround was two things. Absolute and abject fear and fear makes you immobile. That is one of the biggest things that stunts economy now. People do not move to do anything and that stunts a turnaround. If you look at what halted the turnaround. It is the fear.

**INTERVIEWER:** That is typical of any cultural change. It depends on the type of organisation, but largely, I would argue, present people with a change that challenges them and what they are used to.

**INTERVIEWEE:** But this is abject fear of what will happen to me. There is a very big difference there. It is “are we going to do things this way or that way” versus “do I still have a job?”. There are some cultural changes that shift, not in one turnaround to the other. How do you change from doing pure research for the government versus selling our research to companies. Two totally different cultures. None of them had fear that they would lose their job. It’s not typical although you would expect it to be so. Here it was about ‘what’s going to happen to me’ etc. The change was on top of them and nobody knew. Wherever you have fear, you have mistrust. What we had at the time was a whole bunch of things. By the way, when you do, please try and get two surveys, the (inaudible 00:08:46) survey.

**INTERVIEWER:** I have got the results of it. The results of it are in the doc. That is the one, what is the other one you were going to mention?

**INTERVIEWEE:** The entry peer levels. It’s very easy. I am sure you will get it somewhere. The entry peer actually measured culture in a different form. Many things measured culture. There they told you what the limiting factors that prevented you working properly were. I don’t need to tell you that. You can get it in the list. Things like bureaucracy.

**INTERVIEWER:** Which I think was near the top as the biggest limiter.

**INTERVIEWEE:** No one wants to make a move in that time, because the state knows what is best for you, because then you haven’t screwed up if you do something. You see what I mean. If you wonder now about what the things are that really kills culture – bureaucracy. What Tom did really well, and when I say Tom I mean his whole team, he had a decree asking them what they wanted to be. One of the many things he did as well was ask them what they wanted to do. He didn’t pursue a financial turnaround in his communications. It was very much that you had to do it. They wanted to be known as the best by a whole bunch of people. Primarily by their clients and by their staff. People must have cried working for
Nedbank. People must have cried working for Nedbank. This is very different from that they are going to be the most profitable, they are going to overtake their competitors etc. Nothing of the sort. And they are very clear about that. So his turnaround of the business was very much a cultural thing. They wanted people to work there. They wanted people to like it there. They wanted people to stay there. One of his metrics was that once a month he would ask many people they had lost to the industry and how many people came back to them. If people want to work there, they must be doing something right. They are not going to pay more money, because that is what they didn’t want. People want to work there and then hear it from people that work there. Instilling pride was a huge aspect of it. What Nedbank didn’t do, is have bad press about what it does. It had press, because it was in a turnaround stage, like any company. None of the CEO’s or execs were involved in scandals. That wasn’t there at all. The executives didn’t always sit in the right house. Some of them sat in their businesses. Those kind of things that was actual in this together in this and it wasn’t a ‘me say, you do’. We all do. Tom was plainly dismissal about sharing about his cultural stuff. They are all looking for one stakeholder and Tom’s view was that they had to do it all at once and that they had to do a lot of it. We are not going to get in trouble with our regulator. That’s the number one. We are not going to get in trouble because communities think we are squirming. We are not going to get in trouble with our staff for example a racism case. He became furious. It should never get there. He took the guys to task saying to them that that is not what they want in the public eye. You actually want to sort this thing out as amicably as possible and he use to get involved in these things personally. One of the best things about Tom is that he was very visible. He use to walk and talk his vision.

INTERVIEWER: Walk the corridors

INTERVIEWEE: All the time. If there was the soccer thing, he would be wearing his t-shirt. If there was an AIDS launch, he would be standing there. He was very much seen all the time. (inaudible 00:14:46-49) There was a couple of guys who could not do that. They might have delivered the numbers, but they would not have delivered the turnaround, because the turnaround is not just about numbers. It’s about a sustainable vision.

INTERVIEWER: You need someone who is charismatic and will lead you forward.

INTERVIEWEE: You will see what they tried to do. The copy culture is very much well defined and they finked more money defining and changing copy culture than anything else.
I don’t know how they put it in their turnaround strategy, but there were a couple of things they did. One – they had this concept of leaving for deep clean and you can’t discount what that meant. It actually meant that they were not guys who go to work and do their best. They are guys who work in a team. They connect to each other in a team. It will actually be compulsory that everyone work to his fortune and they must have spent umpteen million on it, because they took executives for two days at a time and said this is what they wanted. You know what, it wasn’t strategy. I know because I went on one of these, you would actually go and sit there and talk for two whole days. Bearing your soul on what you would like to do, what you would not like to do, what are your likes and your dislikes. Who you were and you knew what they were and you knew how to work together. It was so crucial.

INTERVIEWER: Who are the external consultants? Are they an established house?

INTERVIEWEE: It slipped my mind.

INTERVIEWER: That’s fine, but they had help all along. It wasn’t just Tom and his executive’s vision that they implemented?

INTERVIEWEE: No, but when they rebuilt the executives they ought to rebuild the rest of the executives. They didn’t do a wholesale cleanup thing.

INTERVIEWER: Like you said they didn’t do a wholesale cleanup, so how did they get the same people acting in a different way?

INTERVIEWEE: You see, it wasn’t the same. A very interesting thing happened at the same time. Egotistical reviewing. So that was where the mix came from. Be very clear that if that had not taken on BOE, that turnaround would have been a much more difficult road to go. The BOE was untainted in the Nedbank way.

INTERVIEWER: Even Tom’s style of leadership…

INTERVIEWEE: That might have helped, but also that most of the guys was actually BOE guys. The whole thing is, it was a mix of people from a whole bunch of places. They also restructured, chopped and changed, a bit. So it wasn’t always the old guys. In some areas it was the same old guys, in fact some of the old guys are still there with so many shoes, but in general it was “this is what we are going to do, and this is how we are going to do it”, but they spend lots of time on the meaning of deep clean and they spend lots of time on
redefining the strategy. I have been through several of those workshops over the years. Very introspective. A lot about how we are going to beat the competition, but it was more about ‘look at what we did’. Looking inside and how responsible you were. I was told about Anna Berkeley, senior executive, bursting in into tears. She was feeling very guilty, because they were complicit about lots of things. Giving their commitment that they were like that, but that they were not going to be like that anymore and everyone else would help them through it. It was like a very personal thing. Many turnarounds don’t have it at all. When you get a turnaround artist what he does is, he chops costs, he kills (inaudible 00:19:50), he retrenches a whole bunch of people and then he regains the stability for you. Tom was adamant that he was not going to do that. He said we want to keep as much people as we can. We are not going to cost-cut our way to the turnaround. Sure there are costs to be cut, but then those are costs we cut and we should have done that years ago. I need a core of people to sustain me further. The turnaround doesn’t mean going from number one to number four and back to number one. It means that we be respectable for that where it is. That was very clear about what it was. We never thought that we would be number one again. He never saw that vision. Have pride it what you do, do it well and the numbers will come.

INTERVIEWER: Explicitly he did state that this turnaround will result in the end?

INTERVIEWEE: You had to get that. His view was that you could get it one day or you could get it this day and this is the way you get it.

INTERVIEWER: Much more sustainable.

INTERVIEWEE: Much more sustainable. Some guys don’t like it. Some oaks say that I am not going to wait three years for us to do much better and my bonus is going to be cut.

INTERVIEWER: They can do wholesale trading now.

INTERVIEWEE: I can just go to ABSA and they will do it. Some of the guys didn’t fit the game. Other guys said I am going to be here for a long time. I am here for the long haul and it will come. I liked it. I was thinking this is the place I would like to be and I want to be part of where I use to work and I remember how good it was when I left. I take enormous pride in saying I worked for Nedbank. When I was there I contributed something to it. That was probably the biggest thing, because haemoriging your talent was the biggest problem we had in the early times and how to stop that was just unbelievably difficult and you couldn’t
pay the guys. You said we sell you a vision, believe us. You work with trust that you have put in and you trust people sometimes just because of personality. I think that those were probably the key elements. Let me clear the whole thing up. Concerning copy culture, how do you understand that?

INTERVIEWER: It’s fine. I got that.

INTERVIEWEE: You understand that, right? What aspects worked well and what didn’t work well? One of the things about confidence is that people who win always have confidence and that is their advantage. You know they say a man should never show doubt in front of his subordinates. You never say you don’t know, because that is how you inspire and direct people. That’s what they had. It was very good because you actually had a confident mood, not a beaten one. The fact that they were overconfident was the problem. The problem was unfortunately that a lot of their financial performance came from their external investments. Your core performance actually comes from your primary clients.

INTERVIEWER: Even prior to the (inaudible 00:23:52) investment collapsing, were there culture cracks showing that people didn’t need to take heed of because things were going wrong?

INTERVIEWEE: Not that we know of. They just carried on. Fix what is broken. When they bought in with Nathan for five hundred million you will see the talk at that time. Absolutely exciting. We are indebted again. Is there no end to Richard Laubscher and his executive’s vision. They sold it for fifteen million four years later. Tom was in his element. Lots more money. What was he thinking of.

INTERVIEWER: That’s a better for me atmosphere.

INTERVIEWEE: I thought in general no time having means for this any longer. Anders said you guys are so subscale in home loans. So we went further in home loans. “You useless…” I don’t have time with the answer having been through the cycle and seeing what they do. You can not win with that confidence. You go droopy into any decision, you are going to get eaten. So that was really good and that is important to have. More than anything else, if you are a bank and people don’t have confidence in you, you don’t have a bank.

INTERVIEWER: They are not going to give you their money.
INTERVIEWEE: No ways. No-one is going to do any business with you. So what changes the culture during and upon the completion of the turnaround? Remember during the turnaround there was fear and bureaucracy.

INTERVIEWER: Bureaucracy was there prior to it. There was a pretty bureaucratic culture, was there not?

INTERVIEWEE: Look, there is nothing wrong with that, because you are the bank and if the bank is not bureaucratic, you are not a bank.

INTERVIEWER: Fair enough. What I am saying is that it wasn’t sparked by fear. It was always there.

INTERVIEWEE: It was always there. I am thinking that if you are in fear mode, you won’t approve anything. It increases the bureaucracy.

INTERVIEWER: It’s that element of a risk aversion as well.

INTERVIEWEE: That is what I am talking about. It’s a risk aversion as well. I will give you an example. You realise that I got this team that I have to restructure into two bits and you have these elements of I am not going to it right now and that is not a risk aversion. It’s just that I don’t want to change anything right now. I want to do nothing right now, because that is the safest place to be. That’s the problem there. Upon completion, what is the culture like now? People experience different things, but one of the ways you compare a culture is not by saying what it is. You must say what it is not anymore. For one, what was it like five years ago. You have never admitted you worked for Nedbank. You might not be proud that you worked in a bank, but you worked for Nedbank. That’s number one. So you got pride. Number two is there is a much, much greater level of collaboration between Nedbank where previously it was just silence before.

INTERVIEWER: My understanding was, was that was also part of this turnaround was to making those interrelationships explicit, nicking incentives to pass around business or was it always the case?

INTERVIEWEE: No, what happened is, that was less about culture than it was about strategy. That was very much more different. Like Red Bank Capital we have a cultural strategy to make money. We think we can make it out of collaboration and you can
incentivise collaboration. You can much better change a culture if you collaborate. What the collaborative culture was not a key aspect to the Nedbank turnaround. Not at all. It’s something one should do and it could have come at any time before, during or after this thing. It wasn’t characteristic at the time. It just so happens so that it is (inaudible 00:28:54) I would argue that we wouldn’t have been able to be collaborative a few years ago, because if you are in fear mode, you do nothing. You protect your turf as well. When Tom came on he said that consultations is very big in town. One of the advantages, or disadvantages, is that we move very slowly in Nedbank, because we consult a great deal. It’s a much more open culture, number one and number two, it’s a less hierarchal than what it used to be. It’s not a family type culture. It’s more a balanced type culture. We are all for all of us. It actually became a bit of a benign culture with no edge to it. That wasn’t Tom’s intent, but it was what he had to do at the time. So what happened towards the tail-end of 2008 and 2009, I thought, well lucky Tom for trying and I say it with the greatest respect. We did all the stuff, we got the pride, we got our systems, we carry on well with each other, people like to come here, we are attracting people that we have got. Now we want to win. That was the right time for me to turn up here. Do you see what I mean? In that stage you can not win through the fear and you cannot rise up to getting pride and you got to the stage where everyone is getting their confidence back and you are starting to say: “We are number four, but can’t we close the gap on number three?” First it was that you be the best number four you can be. Now the competitive edge and some part of dissatisfaction started creeping in that we fixed it. Seven times over. We can start to deliver. That is what ended up at the tail end of it, that I am not the punching bag anymore. I’ll take it if I get it, but I want something out of it. That was what happened. With the turnaround we could hold our heads up high. We were busy with lots and lots of things now. The edginess and the impatience like with a normal bureaucracy will start to set in. Those are like most turnaround people. They shouldn’t stay past the turnaround. You will learn that in all the theories.

**INTERVIEWER:** What other factors?

**INTERVIEWEE:** You can’t get away from the fact that we did well because the economy was with us. The strengthening of the rand to some extent. 2003 was characterised by a boom. The housing boom. We were taking money hand over fist, even though the interest rate was still quite highish. There was lot of endowments and lending like it was going out of
fashion. The turnaround happened and the argument that one could propose is would Nedbank have turned around even if (inaudible 00:33:39)

INTERVIEWER: You could make the argument that you could well. Because as a bank you can’t not make money.

INTERVIEWEE: The criticism with Nedbank is that they didn’t make enough money. If you are a genius, you better pray for luck in a turnaround and that’s what we had. We had a few things that contributed. One was that we had Old Mutual. We had this very big fat parent with a big pocket. Were it not for Old Mutual I don’t know if we would have made the turnaround. So that’s your first step. I think number two is that the economy helped. I think, but it’s hard to say, one of the things that helped is that they actually had a strong executive. That was my sense. I couldn’t argue that the executive team they had were the right ones, but I couldn’t argue that they were the wrong ones. They could be better oaks, but there was some very strong oaks in there. Mike is one of them. He is top class. We didn’t have the wrong oaks. We didn’t have lots of weak executives. There are one or two oaks, in my personal opinion, that shouldn’t have been there. There are other small things, you could choose, but those are the three main things.

INTERVIEWER: Advise of the role of this cultural change in this turnaround? Would you argue that it wasn’t as significant? It certainly helps for sustainability?

INTERVIEWEE: So your question is, if there was no cultural change would they still have had a turnaround?

INTERVIEWER: The sense I am getting from you is that it would’ve been hard for them to not have that performance turnaround because of the circumstances at the time over and above the cultural change.

INTERVIEWEE: Right.

INTERVIEWER: What role, if any, did the cultural change play in this cultural turnaround or did it just put them in a better position?

INTERVIEWEE: I have a very single answer to that question. Let me frame it a little bit differently. Let’s say we didn’t have a cultural turnaround or a change in culture, would Nedbank have had a turnaround. My answer is that I am not sure and I don’t think so. The
reason I say so is the main thing about the bank is that in a sense it doesn’t have pure assets apart from its branches, if you can call it that. It’s not a machine that makes money so much or it’s a machine that doesn’t make money on its own. The biggest thing that the cultural did is that it retained people that otherwise it would have not retained. I think that’s the biggest thing is that it retained a whole bunch of people that otherwise would have left. I would have. If you have a whole bunch of people who don’t want to work for Nedbank, no matter what, it’s not going to help and the analogy I will put to you is this one. Two years ago Eskom was in a place Nedbank was five years ago. No one wanted to work there, because they were too embarrassed to be there. Eskom is in a fantastic place being the only place where you can buy electricity from therefore they did not need a cultural turnaround. They may or may not have lost a couple of people, but they actually have a captive market. Just another example to you is Supergroup. They have company turnarounds by selling parts of their business. They don’t rely on their financial assets by selling them, as Nedbank did, because it was necessary, but they lost people. People who just said I don’t see a future here. There might have been a turnaround, but I don’t see a future here and one of the main things of a cultural turnaround is to give people comfort that there is a future here beyond the turnaround. You do stuff for the long term. The biggest advantage of the cultural turnaround is that it kept the people that otherwise it wouldn’t have kept. That’s my personal opinion.

INTERVIEWER: I think that is it. We are past the turnaround now and that culture is embedded it is time now to start competing.

INTERVIEWEE: What Tom said is that we are not in turnaround mode. We are number four, how can we catch up to number three? We are as good as anyone else. We have as good a people as anyone else. There is some things we don’t have and they are strategic. Right now what we do is not culture. Right now we do strategy. We are going to be Africa’s most admired bank. It’s all the same. It’s a continuation of the culture list. I want to see results. How are we better than our competition? How far are we from the competition? It is exactly the right time for the right oak. He is the right oak for that kind of thing. So there we are.

INTERVIEWER: Thank you very much. I really appreciate it.
INTERVIEW 2
TM – FORMER NEDBANK SENIOR MANAGER

INTERVIEWER: Okay, I’m not going to actually go into detail but I mean in terms of corporate culture what is your understanding?

INTERVIEWEE: Ok, corporate culture, I guess it's a, it's what you find when you join a company that is allowable behaviour, accepted behaviour, you know, certain I guess, I mean just from Nedbank's perspective where I worked the longest it's corporate culture and within a company it can differ within departments it can differ for instance in a corporate finance setting you get away with a lot more and that's really the culture you know you're allowed you work late you play hard you work hard whereas on the grad programme and a corporate banking perspective you know no-one's your friend at work you get there you do what you do. So it's really a little subset of a company and what you find yourself in and it's normally a function of just the leadership really, you know whoever comes in there and what they change and what they decide the rules are is how people work.

INTERVIEWER: Do you feel, is it your believe that corporate culture does impact on performance?

INTERVIEWEE: No, not really, I mean I wouldn't say it does hey. I think, again, a lot of stuff is area-driven, so I think people will do the bare minimum to get to where they need to be within the culture. I'm sorry that's what I've found, so you'll find certain departments lend themselves to certain cultures - again corporate finance would lend itself to being hard-working, and the performance may be...you're not going to find, I mean you might find a lazy person here or there but generally if you want to go into that culture you know what's expected of
you. If you want to go to a different culture you'll find
yourself in a different department, different place to work. So I
don't think so hey.

INTERVIEWER: So you obviously weren't there at the time but what's your recollection based on what you've heard or experiences of other colleagues of the corporate culture at Nedbank prior to the turnaround programme that/when Tom Boardman came into the picture

INTERVIEWEE: Unstructured would be one word. It seemed, and again it's mostly from what I've read, if at the top anything goes, which is what seemed to be the attitude, mostly from just the financial sense where, you know, buy companies that aren't related, get away with not doing what the bank's core focus was, it felt unstructures, and, in two ways: because of that, and one way because someone like Tom Boardman came in thereafter to "fix it" who seemed to be a very structured guy...you know - x-point plan, recapitalised, do this and this is where we need to get and how we need to get there. So I think prior to that the word I'd use is a bit unstructured, without direction. And it's mostly based on, that may be very biased, from the media, in terms of my recollection of what transpired before Tom Boeardman.

INTERVIEWER: What do you think that was a function of? Do you have any ideas as to how that took hold?

INTERVIEWEE: Strong personalities. Again it comes from just, it's interesting because I sat in one AGM because I was working on a transaction that needed shareholder approval on the Nedbank side with Richard Laubscher was present, and it was at the time that he had been in the press Nedbank had accused him of one or two [mistakes] and he had actually made the effort to come and sit there and defened his name and say this is
who he is and very loud and very brash, so a strong personality is definitely what I think led to that. And I guess with strong personality comes followers, who will do as you say and you'll keep those around you. Having said that, I mean, not to totally absolve Tom of that, because I think he was a strong personality of a different nature, again that culture change from what it was before to what it was after - after it seemed to be a bit of an old boys' club, old BOE, let's come from here. So I think non-performance wasn't necessarily punished, for lack of a better term, as it should be, after he came on board.

**INTERVIEWER:**
I'm trying to understand. Well let's go back because I think that there was quite an interesting when we were chatting prior to this starting, you mentioned the fact that you had guys at your current workplace who did things in a certain way, and that's the way they knew how it was to be done...a bit of a narcissistic way of operating. If they were wrong they didn't recognise it, the blame always lay somewhere else. I'm getting the sense that your take on Richard Laubscher is similar.

**INTERVIEWEE:** Yeah exactly, and again, from the media that's exactly what he seemed like. Very narcissistic - I'll go buy this legal firm, I'll go make this bank the biggest thing ever, I'll try and buy Standard Bank, I'll do this, and again hindsight's perfect sight, and it would have been great had he bought Standard Bank, and ENS was now the biggest law firm in the world, and Didata was bigger than Microsoft we'd all be clapping our hands. But I mean, if we go back to basics, it still was a bank at heart and that's not what he should have been doing. [risk-appetite] whether it worked out or not. So yes, narcissistic, strong personality at the end of the day, my way goes.
INTERVIEWER: Ok, so in terms of that, you talk about this unstructured culture led by very narcissistic leadership, a failure to acknowledge those shortcomings in strategy. What, in your opinion, worked well and didn't work well in terms of that culture that you described, in terms of financial performance at the time?

INTERVIEWEE: I think, quite interesting, when I was doing my postgrad, you had to pick - and this was before I knew I was going to work there - you had to pick a stock and analyse it for marks, sort of one of those modules where you would pick a share, follow it and say, whatever, 6 months later, because of this and that, and give all these reasons why you chose the stock and why you thought it would perform, sort of a share price analysis thing, and I actually picked Nedbank. And then what I guess they had built and maybe what sometimes comes with strong leadership, he had actually built a brand. If you wanted a bank with some money that you thought was a...and yes it worked it worked against them in the end but the markets changed, but if you thought I'm exclusive - I bank with the best, not everyone's here - that's what it brought to the party, and when it was working it was working well. At the time when he did try to diversify and do all those things he was working on. So I think it did bring financial performance, I think in the end that should take with a pinch of salt because it turned against them, but he built the brand, he made it exclusive, that's the performance he brought to the party until it turned. I think again once we look back it’s not the kind of performances he needed. I mean, again, it’s perfect to look back and say Absa had the right strategy and they had, you know, the mass market and maybe that’s where Nedbank should have gone, is not enough, but again at the time they
were doing well and I think Nedbank was the second biggest bank at the time. So that wasn’t the strategy to go but, ja.

INTERVIEWER: So Laubscher was ousted, Tom Boardman came in. There was this famous turnaround strategy, Journey Back to the Top, leading by deep green values etc. What in your opinion changed in Nedbank's culture, during the turnaround, and upon completion of the turnaround, and how did it differ to the pre-turnaround culture.

INTERVIEWEE: First of all during the turnaround I think there was a concerted effort to firstly come to stakeholder and importantly staff to say there's a turnaround happening and the like, and that was done through roadshows, and again I don't know if Laubscher did that, he doesn't strike me as the kind of guy to have done this, but there'd be proper staff roadshows and staff were allowed to take time off work and go and actually listen to about what Tom and the company and the bank and where it's going and where we're coming from and he preached those values. So during turnaround there was a true effort to show that there's actually been a turnaround. I mean turnarounds are always bandied about and companies are like, oh we're restructuring, but you see nothing, but this was really happening. So I mean you really have to give praise to him for that. Afterwards he kind of became the bank. He became a strong personality without the narcissism, I think it was also an indication that people believed in him. The strategy had worked so much, financial performance had picked up, to a point where it looked like we were going to be swallowed up by someone else, Old Mutual got rid of us. He kept the boat stable and afloat. He had a strategy behind it and I think what he did do correctly is, at least at the onset, is hire the right people to implement the turnaround. I think that's how it changed immediately. I think
following that a few people may have stayed where they were too long, I think you need to be more dynamic, you need to understand that you've done a turnaround and and some people are loyal to you but you can't risk having next phase growth by having stable sort of leaders, you know people...you do your job. if you've been there 2 or 3 years and you've done well yes you move up, but at some point someone above you needs to realise when you might not be adding value. So I think it went from great turnaround, great implementation, to at a point it needed to hand the baton away, which he's now done, but i think a lot of people below him needed to do the same thing.

INTERVIEWER: So you think that happened perhaps slightly too late, and not to the extent that it should have across the entire bank - it changed at the Ceo, but necessarily at the other business unit levels

INTERVIEWEE: Agreed, agreed. Comparisons of culture then before and after. Definitely a lot more structure. You felt like you were structured, you felt like you knew what the rules were, you knew what was going on, we knew what our targets were, we knew that we were an investment bank and there was some talent that was brought in. We were benchmarked against other banks, we knew that our NIR was lower than the NIR of our competitors and this is why and that is that. It seemed a lot more structured, it seemed the focus was on banking. So the structure that was lacking was now there.

INTERVIEWER: Where you aware of any changes in perhaps the mood of employees of the organisation?

INTERVIEWEE: Not really, I can't, I mean some of the people I worked with had been there before, but I'm not sure what they were like before I knew them.
INTERVIEWER: So you described this new corporate culture, and you said at the outset that you didn't believe that corporate culture necessarily had any impact on financial performance. In terms of this turnaround and these positive changes that occurred at Nedbank during that time, what do you think worked well and didn't work well in terms of the company's financial performance? So in terms of this reborn or revised corporate culture that emerged from this turnaround strategy, what, if anything worked well and didn't work so well, of that culture, in terms of the financial performance of the company?

INTERVIEWEE: I think what definitely worked well, again not having been there before, what I perceive it to have been previously, is that there was a lot more focus, so within your business unit you seemed to be a lot more focussed, there were clear targets that were set, and you know corporate culture and company politics remain wherever you are, and people always feel badly done, but you knew if you didn't make budget. But I think that the corporate culture brought was focus - there's a certain job that i'm here to do, I'm part of a bigger machine but this is what I need to work towards. I think that that wasn"t necessarily there before, and that focus then led to greater financial performance and rewards.

INTERVIEWER: Before I get to what didn't work so well, I getting the sense that you say that that focus comes from the fact that you felt what you were doing was more aligned to the strategy because the strategy was better communicated.

INTERVIEWEE: Correct, that's precisely it. From the financial perspective I think so. I think the strategy was all-encompassing. I think what Tom did do, to his credit...its nice to say we want to have the second biggest loan book in South Africa, that's all fair and well, and even having a way to get there is fair and
well...but almost flipping that and saying financial performance matters, and my direct reports will tell you exactly what that financial performance is, but I need values and culture instilled. I think he did that very well.

**INTERVIEWER:**

Anything that didn't work so well during that period during the turnaround? In your experience - you were there since 2005 and only left recently.

**INTERVIEWEE:**

Nothing comes to mind. What didn't work well? The only thing that didn't work well is that they were still trying to find the focus. I mean there were pockets...I experienced it in terms of just being a new person at work and trying to define where you want to go and what you want to add to the company...I thought that was a lot harder than if it had been a company that already had processes and systems that were working before. But I think that was part of the turnaround, was to fix those processes and systems, so I think a lot of other things wouldn't work as well, so it was just because they were getting fixed. And so I think it's quite natural for performance to suffer during a turnaround process when people try and find their feet there's new leadership and people are trying to find out exactly what's going on. I think what didn't work well, and again a hindsight view was that maybe, and this I feel strongly about, I still feel there's an old boy's culture/mentality to what happened in terms of how the bank was taken over and how the Tom's and the guy who were below him came through the BOE, you almost feel that the director's list and the executive committee was former BOE, you know you can't inject new ideas, you sort of injecting this smaller corporate culture that they had into this bigger entity and trying to fit that in and maybe find new values to instil but that perhaps didn't work well and we maybe only found out later that it didn't work well. I think a
lot could have been done over the years - a much as financial performance improved, I think with the right people at the head of Investment Banking and stuff, you could've changed things a little bit quicker. And maybe performance from a more stable ship.

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head of Investment Banking and stuff, you could've changed things a little bit quicker. And maybe performance from a more stable ship.

INTERVIEWER: You talk about speed of change - you talk about not so much inertial of employees but a prevalence of BOE allies in key management positions, not necessarily hurting them during the turnaround but hurting them post-turnaround and that they failed to inject any new ideas thereafter.

INTERVIEWEE: I think so, I think they were there for a reason to implement the turnaround, I think once the ship was stable and it's no longer sinking, it's a new game altogether. Nothing personal, it's just that people have done their jobs and you just need to get fresh people in - it's a new job, and like anything, if you're starting a greenfield operation, you know the guy to lead you from idea conception could be the CEO and bring product to market, but to go into different territories, it's like Google is a well-publicised example, where old Larry and Sergey then got someone else to run the ship, someone else in as CEO you know, quite early in the process because it was a different ballgame. They've (inaudible) the big avenues and I think that was a mistake. So the company could have done a lot better.

INTERVIEWER: I want you to speculate. You don’t think that’s a form of narcissism that may have crept in through leadership. We were successful in the turnaround, there is no reason why we cannot continue this road or is that just cutting straws?

INTERVIEWEE: No narcissism is a strong word. I think (inaudible) offend the guys that were there. I think it was mostly comfort zones. You get paid well, you’ve got that (inaudible). You know it’s like, to use another example, it’s playing in a sport team and having scored three goals but losing (inaudible) doing and
then not being paid because you’ve lost form but you’re going to cry because you were once on form. You know, it’s that kind of, it is a bit of narcissism it’s not as, that’s not the overriding personality driver that was a problem, I think. I think it is just comfort. People in the comfort zones make a lot of money and want to hold on to that part.

INTERVIEWER: Also in terms of speed of change and speed of implementation. Any comments on the processes that was imperative at the bank at the time, (inaudible) improvement?

INTERVIEWEE: Ja, I’m not sure what they were like before to be quite honest. I mean they gradually approved. If I just take, if I assume a lot of it was as a result of the structuring and for example the way the performance reviews were done while I was there, that did improve over time, you know? How many people sat in them. What documentation you had to bring. You know, might (inaudible) as the natural sort of workflow improvement or is it the restructuring I’m not sure but I did definitely see progress.

INTERVIEWER: I just want over that quickly. You say you found the performance appraisal part of it improved. In what sense? Implying that, what was expected of you was in increasingly aligned to what was outlined as the group values and (inaudible)...

INTERVIEWEE: It was a lot clearer. Two things, so it was a lot clearer. It was made you know, again, I speak from my department only but a lot clearer in terms of what is expected of you. If you’re performing well you’d know it, if you weren’t you’d also know it but I think also more importantly was who was deciding how you’re performing. It wasn’t just one guy who decided the people he liked. It was one senior guy and one senior but less senior guy who you might have work with on
a few transactions, might not, someone, you know what I’m saying. It became quite broad in terms of who sat in the (inaudible). Then (inaudible) obviously to, it might as well but it is a lot fairer than one person sitting and everything. It’s a lot fairer than one person who hasn’t worked with you sitting there (inaudible) too. So the system, people took people’s complaints and everything to heart and they did try to fix the system. Look, it doesn’t work all the time and they will never make everyone happy but it’s a better system than it was the year before, that’s official.

**INTERVIEWER:** Okay, in terms of the turnaround because there was, I mean, proper outlines at the beginning of this turnaround strategy, he would take Nedbank back up to 20% ROE after four or five years of this turnaround and increase of the efficiency measures I think to about 50% from, it was, I think it was about 60 at the time, 59, 60 at the beginning of the implementation. But again it may be (inaudible) to say that this cultural turnaround contributes to the achievement of this financial sort of successes. What other factors you think could have resulted in that financial (inaudible)?

**INTERVIEWEE:** I think there are two things. The pressure of the economy was moving in the right direction and you can see what the, I mean you just have to look now and look at what the bad debts are and what the loan write-offs are now. Just, you know, it’s probably not much worse that any other bank in the industry but everyone suffers from it. The retail, half year the retail division made a loss or very little profit. Assets are struggling. So the economy certainly have, I mean he took over at a time of rapid growth, considerable growth, maybe not rapid but over the few years, you know the middle class is coming up. A lot was going right for the bank and I’m dead certain that had that not been the case in terms of just what
the market and the economy is doing, I’m dead certain he was going to achieve what he did and I’m pretty sure that having said that, a whole lot of people can feel when the market is going well. We’ve seen that too. So there was lot of that in his culture and his sort of strategy in leadership but I think what changed, I mean from an REE perspective, perception. You know he was there. He was just beyond changing the culture. I think it is a perception change. Nedbank was, people like stories that are, they are picking themselves up. They are going to fix themselves. It’s a growing company and you know full of market shares stats, number one. Number two, and maybe not so (inaudible) as the culture was the change of but not really the cultural. So first of all the markets, second the perception and a third factor I think was, what he did very well is to differentiate the bank, so strategy and by that I specifically mean, say green bank and this is what we do and this is (inaudible) and so let us not lump us with the rest, you know? I know that the difference in…

INTERVIEWER: Two very distinct brands that he’s building.

INTERVIEWEE: Yes. I don’t know what the difference between Standard Bank and Absa is, I don’t but you mention the green bank, everyone knows. Yes their colours are green but everyone knows and they advertise and they love that and the world wide fund and this and that. So those three things are think it’s only helped. They don’t hurt. Without them you wouldn’t have seen a performance, ja, at least about the combination of all three.

INTERVIEWER: Do you believe that perhaps while these factors may have had the biggest role to play in financial turnaround, believe that the cultural change may have made sort of success more sustainable or…
INTERVIEWEE: I think definitely, hey. I think so. I mean, I go back to work focus. I think have the green bank. They have all these other things, you know and have, well I guess the perception would be there but have the green bank and everything else and have unfocussed people, (inaudible) people, you know, the culture sense are focussed on, you’re not going to get anywhere. So it definitely contributed. It definitely did. I mean, they knew where they’re from and they come back to it and you’d see it in any sort of department. I guess I’m fortunate to have worked so many departments in the bank. There are people and you know, it might be everywhere else, it might not a Nedbank specific thing but it’s something I think that corporately, lack of a better term, holds companies back is there are people who had been there a while that just out there worth. That is, that one thing I feel strongly about, just maybe not the whole boy’s club. If someone who has been there so many years and…

INTERVIEWER: Pruning of the bush is needed to make way for the new shrub to come through.

INTERVIEWEE: It’s almost like you need the (inaudible) cultural, whatever. We can hire and fire tomorrow. You must do your job but it’s not always good but I think ja, that was still a concern.

INTERVIEWER: So I mean, the successes during that cultural turnaround, although they’re well documented they may not, we acknowledge it may have been a result of the cultural turnaround. There might have been other factors in play but then you have been there as recently as last year, this year in fact, what could be done better and/or what could they more of and what could they try to less of in order to like improve their performance at present?
INTERVIEWEE: I think performance, I mean culture is one thing, performance comes to the people. So again, like you’ve said I’ve left this year. I left this year and I was in a team of KG professional staff and six months after I’d left another 12 people had left, you know and as, it have been a particularly bad year for the bank as well because a lot of people left in a lot of different departments. Having said that, people leave places every year, I think this was out of the ordinary in terms of just the number of people that had left. So I think one thing they can they (inaudible) from is hire people and keep people. You have to do that and you have to hire right. Absa hire right and it might sound harder than it is but it is not. You know, look at people’s issues, performance during goal orientated people, that is what you’ve got to hire and people that shouldn’t be there anymore should go.

INTERVIEWER: Just to intervene there quickly and we’ve discussed this at length on a previous (inaudible). They have got and keep good people. They had a lot of good people but they failed to retain them. Where do you think that failure (inaudible)?

INTERVIEWEE: That’s a good question, a very good question. I guess a part of the culture that’s remained where people stay and become very because for them there that long very powerful people and get someone who’s performance driven and who’s trying to get a certain goal done and you’ve someone against them and these are two extremes. I’m using here to illustrate the point. Someone very driven, very clear set of goals, drivers and trying to get the job done and then you’ve someone who’s very comfortable and (inaudible) might look bad for him. You know the driven person in an environment where you don’t achieve much you’re better off leaving. I think that’s the reason a lot of good people have left.

INTERVIEWER: So a lot of established people feeling threatened by…
INTERVIEWEE: I think so.

INTERVIEWER: New incompetent guys.

INTERVIEWEE: And these things are very, very, or they are very subtle. So rather not, I mean, sorry they’re actually very subtle and it’s just the thing you know and you know it when you’re there that I’m not going to get anywhere. You know, I think that’s it and as much as there has been more focus, so on one hand I think it’s getting a lot more focussed and that was sort of generally what I’ve been saying is that we’re more focussed on the one hand which have brought great financial rewards. It can come from a place of no focus before he’s going to help. But one (inaudible) is getting the right people and getting rid of the wrong people. So I think that’s why a lot of good people leave. I mean, there’s so much to be done there in terms of just, you know, it’s nice to be a little, you know, an underdog, with the (inaudible) and I love to be in a place where I’m trying to build my team to be the third and the second biggest and have that be our money but if that’s not personnel (inaudible) I’m up against people I work with rather than up against people which is comfortable with the status quo. You’re not going to get far.

INTERVIEWER: Okay, so what prompted you to leave Nedbank?

INTERVIEWEE: That was exactly that. I mean, it may be not me personally but you know, or someone we’d hired as well that was there that was the driving force, let’s change the system and performance driven. You know, this is who you are, this who I am, this is what I expect of you and I want to see that or else there will words there will be problems and you know, I felt like a change is coming in terms of old (inaudible) and someone like (inaudible) couldn’t stay that long and you know, it was just, that was the big reason of it. I mean, I had
other personal reasons of focus of work and trying to do sort of industry change and all that but I could have put that off for a while had it not been for that. So it was a big driver, ja.

**INTERVIEWER:** So you would basically have a final (inaudible) summarise your working experience at Nedbank since your entry as a grad back in 2005 to your exit, what has been your experience of the culture and of the company.

**INTERVIEWEE:** One thing I have to take away is having cultures in pockets. I think to define corporate culture unless you’re in a very small company is a bit of a miss (inaudible). You are, I think you’ll never ever encapsulate what it means. You know someone working in a investment bank, someone working in a call centre at Nedbank are completely different cultures but from my person experience to sum it up it’s been both good and bad. I mean, again having started as a grad I’ve seen quite a bit of the bank and it’s come down to who you work for really. In addition to the work you (inaudible) done but the people that promote the culture that I think should be what the culture is have been a pleasure to work with and then when you’ve met roadblocks people that aren’t and that had been there too long has been not good towards this. It’s a mixed bag. It’s been a mixed bag for me.

**INTERVIEWER:** Okay. Alright, thanks.
INTERVIEW 3
YL – FORMER EA TO NEDBANK CEO

INTERVIEWER: Corporate culture, what do you understand by the concept?

INTERVIEWEE: I guess it’s more encouraging certain types of behaviour.

INTERVIEWER: Yes.

INTERVIEWEE: Having a collective in terms of how you interact within the corporation and outside with external stakeholders.

INTERVIEWER: Okay. You’re so formal all of a sudden, but that’s the correct answer.

INTERVIEWEE: It feels like I’m in an exam.

INTERVIEWER: Yes.

INTERVIEWEE: I didn’t Google before I came, hello Wikipedia, thank you.

INTERVIEWER: So we weren’t there at the time prior to the turnaround, yes, when all the [00:30] was in place, but based on the stories you’ve heard and your interactions with staff when you were there, what was your take on the corporate culture prior to the turnaround, like prior to Tom being on board with Nedbank?

INTERVIEWEE: Yes, well, I think, before the failed takeover everyone was very arrogant, wasn’t doing well, probably over confident, and then obviously the failing of that. Afterwards people were just passing the buck, not taking responsibility, not really sitting down, assessing really what went wrong and trying to – each person having their own agenda and just trying to survive, and it was depressing and disillusioned.

INTERVIEWER: Okay.

INTERVIEWEE: I was just [01:05] it was bad either way for me.

INTERVIEWER: I’m just going to ignore that last comment.

INTERVIEWEE: Remember the crying.

INTERVIEWER: Any idea what led it to that culture, because the bank had been doing well up until failed takeover and prior to the database crashing?

INTERVIEWEE: Yes.
INTERVIEWER: Any hunches or information as to why that may have been the case

INTERVIEWEE: I think it’s probably the way that it wasn’t – the people are incentivised at Nedbank, you know, you’re very much on your own mission, and you’re not really – it’s not the greater collective that’s necessarily the most important. Everybody just kind of had – and then obviously when something goes wrong, you don’t want – nobody wanted to own up and say, “Okay listen, maybe we shouldn’t have done this”, and it was, “Oh, I didn’t do it, you did it”. And it was just passing the buck and not taking responsibility.

INTERVIEWER: Okay, so Derek at system wide there was some over confidence that led to arrogance.

INTERVIEWEE: Yes.

INTERVIEWER: There’s a lack of accountability when things did start to go wrong.

INTERVIEWEE: Yes, definitely.

INTERVIEWER: And people acting in their own individual interests as opposed to in terms of the company.

INTERVIEWEE: Yes, the greater.

INTERVIEWER: Okay, all right. And then in terms of this culture you’ve just described, prior to the turnaround, what do you – there may have been aspects that worked well as well. What do you think worked well and not so well in terms of the financial difference at the time?

INTERVIEWEE: I think, well, that before the crash, obviously, I think people at Nedbank wasn’t as hard core as Investec ?, there was backstabbing and, so obviously people got along well and the team spirit was high up until before the failed takeover, so.

INTERVIEWER: Okay. And what worked badly in terms of – well, I think we recapped a few of those things, but what aspects of that culture then worked badly and, sort of, combined effectively to possibly lead to that financial downturn or arise from that financial downturn?

INTERVIEWEE: I think it’s still the accountability, and nobody actually went back and assessed what went wrong, they just, kind of, tried to fix what was – tried to salvage what was left and then try and push our way up again. People weren’t actually sitting back, taking
a look at the strategy, you know, evaluating the consequences, there was no stop at trying and evaluate.

INTERVIEWER: Okay, so it was like business as usual and more, sort of, like plugging holes in a dam as you’re trying to strengthen the entire wall.

INTERVIEWEE: Yes.

INTERVIEWER: Okay.

INTERVIEWEE: And try and learn something from it.

INTERVIEWER: Okay.

INTERVIEWEE: Which is now, you’re just trying to fix and go on.

INTERVIEWER: Okay. To what extent do you feel that leadership at the time may have played a role in that?

INTERVIEWEE: I think quite a huge extent, huge, yes.

INTERVIEWER: Okay.

INTERVIEWEE: And communication has always not been great at Ned, I mean, they don’t, yes.

INTERVIEWER: Okay, so we had the opportunity to start working in about 2005, those happy days of the financial [04:07]. So we had come in, sort of, in the middle of the turnaround, so the turnaround started in 2003, there were signs that things were improving and going in the right direction, and I think it ended in 2008. What – how would you describe the culture during the turnaround programme and upon completion of the turnaround programme?

INTERVIEWEE: I think they definitely became more open in communication. Tom Boardman came in, he started having those road shows and everybody had to go and he had a three hour chat, and people were getting more communication, so people were definitely more informed of what is now the new strategy, this is the new vision, which previously they weren’t. People – you were just told to do stuff and you didn’t know why and how you fit into the bigger picture. I think they started getting that right, and they started communicating with staff better.

INTERVIEWER: Okay.
INTERVIEWEE: And staff really felt that... I remember they said, like, you can get this T-shirt, I survived 2003, it was lame but, you know, some people liked it.

INTERVIEWER: Yes, living for deep blue [?].

INTERVIEWEE: Yes. So I think they did, at that stage, communication I think was one of the key things.

INTERVIEWER: Okay. Anything else that comes to mind over and above communication or..?

INTERVIEWEE: Not really.

INTERVIEWER: Okay, no, that’s fine. So we’ve got this new culture that Tom and his new team tried to engender...

INTERVIEWEE: Some of it’s not [05:30].

INTERVIEWER: Yes, exactly.

INTERVIEWEE: Tom McKenzie.

INTERVIEWER: Yes. Oh, I actually forgot about those guys.

INTERVIEWEE: The guru.

INTERVIEWER: Yes. The [05:38] two gurus.

INTERVIEWEE: How could you forget the guru, I mean, come on.

INTERVIEWER: I know. You know when you just try to repress memories?

INTERVIEWEE: Oh, yes, I’ve done plenty of that, thank you. I’m probably not the best person to speak to about Ned.

INTERVIEWER: No, it’s fine. That’s why I’m trying to get a range of inputs. But in terms of the turnaround, we obviously – what changed was initially it was leadership. So we went from Richard Lobsher [?] to Tom Boardman and you say he was responsible for more — and part of his team.

INTERVIEWEE: More open.

INTERVIEWER: Improving the communication and having people, sort of, understand what this new vision is that they’re all working towards, sort of, motivated people to act for a common good, as opposed to, sort of, that individual mentality that prevailed prior to that. In
terms of this new culture, what do you think didn’t work so well? So there may have been aspects that weren’t completely ironed out or the change might have resulted in some, sort of, adverse effects. And what did work well in terms of that performance improvement that you saw from 2003 to 2008?

**INTERVIEWEE:** I think people started, you know, knowing at least what was the common goal, but then you also weren’t incentivised specifically for that, you know, you needed to follow the same message through everywhere and incentivisation wasn’t done. So you still – the way you are incentivised it was still per individual, it was not about the greater collective, so there was really no extra – you gained nothing out of it actually helping anybody else.

**INTERVIEWER:** Okay, so you’re saying that they didn’t address that to the extent that they should have to try and get people working together.

**INTERVIEWEE:** No. More collaborative, yes...

**INTERVIEWER:** Anything else? You talked about an arrogance; did you see a decline in that during those four years or just..?

**INTERVIEWEE:** I think Nedbank had to become more humble because now it was one of the smallest banks and was struggling, it was losing market share. So I think in that sense, you didn’t have Tom, you know, Tom trying to at least stay positive, but not over promising and under delivering. So that was definitely a concern and Richard, I mean, he always promised stuff that he couldn’t deliver.

**INTERVIEWER:** I think, yes, leadership comes up quite strongly. What do you think some of the character traits that Tom displayed worked well in terms of lending credibility or getting buy-in for this turnaround?

**INTERVIEWEE:** I think that’s when he got buy-in. He actually, he consulted other parties, you know, he got [08:04] people, he listened to people. You could go and speak to Tom, you know, if you really wanted to, whereas Richard, kind of, he had a vision, and it was his vision, and he didn’t really care whether other people shared it or not, and you were just supposed to follow it. And Tom, kind of, made people feel that they were all part of creating it together and that he just had that more open democratic type of leadership style.

**INTERVIEWER:** All right. So we recognise there was a performance increase. I mean, Tom had a target of 20% IRE at the end of that turnaround period.
INTERVIEWEE: Yes, and he was obviously incentivised to get that as well.

INTERVIEWER: Yes, well, yes, very much so. So [08:45] he never went for more, hey.

INTERVIEWEE: Yes, considering what Richard got when the bank bailed, and Jacu got less than he did.

INTERVIEWER: Yes. So, what do you think, I mean, it could be very trite or presumptuous to say culture was the sole, a change in culture was the sole determinate or influence of this increased performance, or what, in your opinion are the other factors that could have played a part, or could have played an even bigger part in the performance of [09:13] between 2003 and 2008?

INTERVIEWEE: I think there was also a more [09:18] strategy, based more on a product level and on a sector level as opposed to previously, there was just one thing and that would be the best, let’s take Standard Bank over. And I think when you are down you are forced to become more innovative and you have to work harder when you are losing, so I think that just forces you to do more, try and do more things [09:41].

INTERVIEWER: All right, okay. And the final one is... Oh, this should be a fun one. Based on your current experience of Nedbank or your most recent experience of Nedbank, which is well after the turnaround, so, I mean you were last in their employ in..?

INTERVIEWEE: In the beginning of this year.

INTERVIEWER: Yes, so the beginning of 2010. What in your opinion continues to work well as a result of that turnaround strategy? And what could they afford to do more or to continue to improve their performance? And what could they afford to completely let go of or [10:22] performance?

INTERVIEWEE: [10:24] is something that they can let go off because they’ve got plenty of that.

INTERVIEWER: Okay. Well, even [10:28], well, what is your take on the concept of [10:31]?

INTERVIEWEE: I think currently there’s just too many politics, people are in positions because of politics not necessarily because of knowledge or even... I mean, look at Brian Kennedy, he shouldn’t be there, he’s definitely not the best person. People — and every year they start restructuring every bloody division, which just increases costs and changes people,
but it doesn’t change the performance, it doesn’t change the... I think Nedbank needs to stand back and really re-evaluate what is the value those people are adding? Why are they there? Somebody who’s like a Rob Shooter, who’s tough, needs to do a clean out, and that’s one thing that Nedbank’s never done, even after, you know, they never actually held anybody accountable apart from...

INTERVIEWER: Okay. And you also think they should have?

INTERVIEWEE: I think they should have. There are definitely people in — especially in Capital and Corporate they could’ve...

INTERVIEWER: Okay.

INTERVIEWEE: You know, that haven’t been performing for year, that makes not contribution whatsoever, and yet they’re still there.

INTERVIEWER: Okay. Yes, that’s quite interesting, that’s a theme that came up in the interviews as well, it’s like the one thing they did... I mean, they had this very clear turnaround strategy that they wanted, but even though there were a lot of people who were part of the failed strategy prior to the turnaround, they were retained and were allowed to continue to...

INTERVIEWEE: They’re still here ten years later.

INTERVIEWER: Yes.

INTERVIEWEE: Yes. And they’re not adding value to the business.

INTERVIEWER: No, and they were part of an old culture that was tough to change as well, so you’ve got that, some of those elements of the previously unsuccessful culture.

INTERVIEWEE: That’s still lingering.

INTERVIEWER: Yes.

INTERVIEWEE: Yes. Plus it’s not high performance culture, Nedbank doesn’t have one.

INTERVIEWER: Isn’t it? Okay.

INTERVIEWEE: I mean, you don’t have to — we don’t go into [12:05] to get the best deals, we never even evaluate strategy. When I was in corporate finance, every year we’d go...
on a strategy session, we’d get hammered, say the same shit every year and never get the big deals, never go out and do proper pitches.

INTERVIEWER: Okay.

INTERVIEWEE: I mean, it’s — so it’s always on paper but there’s no action, there’s no follow through.

INTERVIEWER: So do you think there was any real change in culture that led to sustainable performance improvements since the turnaround or is just..?

INTERVIEWEE: I think it really didn’t change that much.

INTERVIEWER: Yes.

INTERVIEWEE: It was just helped obviously by other factors, like we probably got lucky in the market, you know, we invented some product or — but it really wasn’t culture that contributed that much to it. Because if you think about it, a lot of the senior people that was there when it crashed are still there and a lot of people have left. So in theory, why would you have that?

INTERVIEWER: What made you unhappy to work at Nedbank?

INTERVIEWEE: All the politics, tired of politics, you know. You just know you never... And all the passive aggressive stuff, you never get told anything straight. They lie; they think you must be stupid to not understand what’s going on. Nobody ever gives you a clear answer, ever. They never have the ability to just put it straight out there, never. There’s always some excuse. Every year the bonuses are bad, every year it’s going to get better, every year it doesn’t. You just get fed bullshit all the time and eventually you figure it out and you leave.

INTERVIEWER: Were there any elements of working at Nedbank that did make you happy?

INTERVIEWEE: Not really, but then I didn’t leave in a great place. But initially I did enjoy it and my first years were good in corporate finance.

INTERVIEWER: Is there anything you think they are doing right as an organisation as a whole?

INTERVIEWEE: Yes.
INTERVIEWER: I know corporate finance we’ve spoken privately about, but what are the things they could do?

INTERVIEWEE: I think Nedbank has clever people, they do have interesting products. I mean, if you at the ECM guys they’re very — all of them are competent, all of them are knowledgeable, so there’s no reason that they can’t be like R&B [?]. It’s just unfortunate that there’s always so many politics and there’s very ineffective procedures in place in terms of who should sign off on what and when, that by the time you get there it’s, you know, it’s gone.

INTERVIEWER: Okay. So talk to me about procedures quickly.

INTERVIEWEE: I mean, like, in ECM if a guy wants to do a deal, I mean, for them to actually get stuff done, I mean, our ETF took bloody forever. And then you speak to somebody in this department who doesn’t know what’s going on in that one, I mean, this is just capital, it’s not even huge section, it’s not like I'm talking across sections in the bank. There’s just no communication, everybody is trying to protect their little bit of knowledge, nobody wants to help anybody else.

INTERVIEWER: How do you think that could be improved?

INTERVIEWEE: I think, you know, if you incentivise people to collaborate, and I know that it is becoming increasingly important at Nedbank then you would definitely be keener. But it’s a culture you’ve got to create and people have got to buy into it and see the benefits.

INTERVIEWER: Yes.

INTERVIEWEE: And that’s what R&B does very well.

INTERVIEWER: Okay. Final question, in your opinion do you think that, and I've been getting a feeling, but do you think that corporate culture does play a role in the performance of an organisation?

INTERVIEWEE: Yes, definitely.

INTERVIEWER: Yes.

INTERVIEWEE: I mean, if you look at... And I'm now once again telling you in corporate finance, but to a large extent you could take [15:25], the same thing happened, I mean, we all got paid okay and, yes, we all decided to leave, you know, to do a similar job somewhere else. So that was culture.
INTERVIEWER: So it wasn’t so much about the money it was about the culture.

INTERVIEWEE: Yes.

INTERVIEWER: Okay.

INTERVIEWEE: Yes, you wouldn’t... There are a lot of things you would take if you still think it’s acceptable to work in that environment.

INTERVIEWER: Do you have any insights on the change from Tom Boardman to Mike [15:56]?

INTERVIEWEE: Well, I think Mike’s very sharp, Mike’s commercial. Mike is probably pretty more honest than Tom Boardman; he’s not as big a seller but he can do, you know, he doesn’t talk that much shit.

INTERVIEWER: Yes.

INTERVIEWEE: I respect Mike, hey.

INTERVIEWER: Okay.

INTERVIEWEE: I think he’s a straight guy.

INTERVIEWER: Yes.

INTERVIEWEE: I worked with him last year on the disposals of the Old Mutual’s interests and...

INTERVIEWER: Okay.

INTERVIEWEE: So Mike’s sharp.

INTERVIEWER: Yes, fantastic.

INTERVIEWEE: Whether he knows what the hell’s going on behind his back, I’m not convinced, but.

INTERVIEWER: Yes. Did personnel change at all after the turnaround was completed once Tom moved on? Not really.

INTERVIEWEE: Nothing, that’s weird.

INTERVIEWER: Yes.
INTERVIEWEE: You’d think he would bring in new blood. Obviously we got a new FD but that’s a...

INTERVIEWER: Yes, that’s also something that’s...

INTERVIEWEE: And that’s a woman.

INTERVIEWER: Yes, and that’s fantastic but, I mean, that’s also something you touched on and TS mentioned as well, you think you have the specific team for the turnaround and then it’s time to start, like, actually competing now, you get [16:48], it’s like...

INTERVIEWEE: Exactly, you should take it... Yes.

INTERVIEWER: So, yes.

INTERVIEWEE: Yes.

INTERVIEWER: So that’s one of...

INTERVIEWEE: It’s an interesting... Yes. It’s an interesting case, let it be.

INTERVIEWER: Yes, cheers, thanks.